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## NEWS SUMMARY

### GENERAL

**Peach jury call to curb SPG**

Teacher Blair Peach died by misadventure at last year's Southall riots, an inquest jury decided.

But the jury members called for more control of the Special Patrol Group by their officers, and said no unauthorised weapons should be available in police stations.

During the five-week hearing, the jury heard that Peach, aged 33, died after a blow to the head, which witnesses said happened during a charge by SPG officers.

### Schmidt set for Brezhnev talks

Chancellor Helmut Schmidt of West Germany is to visit Moscow on June 30 and July 1 for talks with President Leonid Brezhnev of the Soviet Union.

Afghanistan and prospects for East-West arms control will be high on the agenda for the meeting, which is viewed as one of Herr Schmidt's most delicate initiatives as Government leader. Back Page

### \$5 for Olympics

The International Olympic Committee said 85 countries have entered the Moscow Games, and 56 have either declined invitations or not replied.

### Obote returns

Former Uganda President Milton Obote returned home after a nine-year exile. He promised the Uganda People's Congress would end corruption, restore law and order and reconstruct the economy if it was returned to power. Page 3

### 19 die in Kwangju

Seventeen students and two soldiers died as South Korean troops regained control of Kwangju city centre after a week-long insurrection. Page 3

### Murder charge

Belfast labourer Robert Murphy, 22, was charged with the murder of 12 people who died in the La Mon House restaurant bombing in County Down more than two years ago.

### Budget deadlock

EEC Economics and Finance Ministers left Brussels without finding a solution to the dispute over the UK's budget contribution. Back Page

### Reshuffle plan

Israeli Premier Menachem Begin is considering a Cabinet reshuffle which would transfer hard-line Foreign Minister Yitzhak Shamir to the Defence portfolio. Page 3

### Saudi initiative

Saudi Arabia is reported to have embarked on a Middle East initiative to replace the deadlocked Palestinian autonomy negotiations between Egypt and Israel. Page 3

### Penalty threat

The Government has compiled a confidential list of 21 councils in England and Wales which will be penalised for overspending unless they can show special circumstances. Page 10

### Briefly . . .

Manual workers' industrial action again halted most flights out of Luton airport.

Ten people died during clashes in Assam, north-east India.

French lorry and van drivers demanding more flexible driving hours jammed motorways round Paris. Page 24

### CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

	RISES	FALLS
Treasury 11.5% 1981	£923 + 1	
Excheq. 12.5% 1982	£922 + 2	
Anderson		
Strathclyde	79 + 3	
Dudchamps	71 + 3	
Edinburgh & Gen.	37 + 3	
Kelso	127 + 4	
Legal & General	174 + 6	
Paradise	21 + 4	
Allstate Exploration	65 + 10	
Allstate Exploratn	65 + 10	
Bougainville	112 + 10	
Cons. Gold Fields	465 + 11	
Comcast Riotint	272 + 12	
Gold Ms. Kalgoorlie	226 + 16	
Hamma Gold	60 + 8	
Pescador	131 + 11	
Samantha Explora.	90 + 16	
Strata Oil	15 + 5	
Western Holdings	127 + 13	
Allied Colloids	110 - 7	
BPC	171 - 4	
BTR	378 - 11	
Babcock Int'l	438 - 9	
Diploma	350 - 7	
GEC	45 - 4	
Gieves	45 - 4	
Grattan Warehouse	52 - 4	
GKN	232 - 4	
ICI	350 - 5	
Lefaset	114 - 4	
Lloyds Bank	288 - 7	
Lucas Inds.	197 - 5	
Midland Bank	323 - 7	
Phoenix Timber	114 - 6	
Racial Elec.	228 - 8	
Rockit & Colman	166 - 4	
Robertson Fonds	126 - 6	
Tube Invs.	234 - 4	
Unilever	412 - 6	

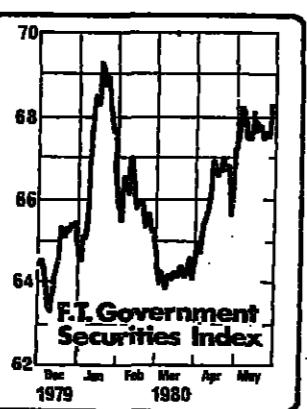
### BUSINESS

**Gilts firm; Equities ease**

## CBI sees bleak future as output declines sharply

BY JOHN ELLIOTT AND DAVID MARSH

**GILTS** were firm, benefiting from falling U.S. prime rates, with widespread gains in medium and longs although



shorts were more volatile. The Government Securities index closed 0.31 up at 68.39. Page 40

**EQUITIES** drifted lower, and the FT 30-share index, which at one stage shed 3.3, closed 3.3 off at 420. Page 40

**STERLING** was firm. It closed at \$2.3705, a rise of 2.55, and its trade-weighted index reached a five-year high of 74.7 (74.3). **DOLLAR:** Its index was \$4.1 (\$3.4). Page 33 and Lex, Back Page

**GOLD** closed \$1 down in London at \$314.5. Page 39

**WALL STREET** was 4.77 up at \$58.87 before the close. Page 34

**U.S. construction group** J. Ray McDermott, which has a yard near Inverness, is expected to be awarded the \$190m (£90.15m) contract by Marathon Oil for a gas field platform. Back Page

**INCOME TAX** in the Isle of Man has been reduced by 0.5p to 20p in the £, the third cut in successive years. The Manx Government is to raise social security benefits, but these will be taxed from 1981-82. Page 9

**BARCLAYS BANK** is to experiment with electronic methods of payments through cash cards at computer-linked petrol stations in the North of England. Page 3

**BRITAIN** has overtaken the U.S. as the leading export market for German wine. Page 9

**GOVERNMENT** should consult trade unions but not share decision-making with the TUC, said Sir John Boyd, general secretary of the Amalgamated Union of Engineering Workers.

**POST OFFICE** engineers have rejected a pay increase which the Corporation says is the maximum it is prepared to offer. Page 12

**BPC**, the printing and publishing group, warned that its results for the first six months of the current financial year will show a substantial loss and no interim dividend will be paid. Industrial disputes were blamed for the setback. Back Page

**B&I**, the Irish shipping company, which made a net loss of £161.1m (£981.704) last year, compared with a net profit of £161.4m the previous year, blamed declining tourist traffic, dearer fuel and labour unrest for the reversal. Page 9

**KELSEY INDUSTRIES**, the audio accessories and adhesives group, lifted its first-half pre-tax profits from £90.8m to £12.6m (£10.85m). Page 24

A SHARP DECLINE in the prospects for manufacturing companies was reported last night by the Confederation of British Industry in a survey which showed that fewer orders are being booked at home and abroad and that output is falling sharply.

At the same time, there are indications that companies are delaying the introduction of price increases in order to clear stocks at a time when their competitiveness is declining and demand is poor.

These are the main points to emerge from the CBI's monthly survey of industrial trends. The survey was carried out among 1,000 manufacturing companies in the first two weeks of this month when industrial output had almost fully recovered from the effects of the steel strike.

Its publication yesterday coincided with preliminary figures issued by the Central Statistical Office which showed that overall output fell in the first quarter of this year as a result of lower industrial production.

The onset of recession was softened during that quarter by the relative buoyancy of the services sector, which was profiting from a continuing high level of consumer spending.

**Mr. Reg Parkes**, chairman of Brockhouse and of the regional CBI said: "There is a great deal of talk about the Phoenix rising from the ashes; but what if we are left with just the ashes?"

**Mr. Chris Walliker**, director of manpower at Delta Metal and chairman-elect of the regional CBI, warned: "The number of redundancies announced recently is really frightening and I think it will get worse." Page 22

Continued on Back Page

Shop sales remain at high level. Back Page

### ECONOMIC ACTIVITY

**Gross Domestic Product**, based on output data, at constant prices, with 1975 = 100 and seasonally adjusted.

1976 102.2  
1977 104.7  
1978 102.8  
1979 109.6  
2nd 111.4  
3rd 109.5  
4th 109.3  
1980 1st 109.0\*

\*preliminary estimate

Source: Central Statistical Office

cutting back on their levels of stocks.

It warns that its survey "provides clear evidence that the UK economy is about to undergo a difficult period during which it will be increasingly rare for companies to enjoy satisfactory and adequately profitable levels of activity."

This view has been borne out

by statements in the past week

from companies such as ICI, GKN, Delta Metal and Associated Engineering.

The CBI's economic staff have revised some of their forecasts and now suggest that the output of the whole economy will decline by 2 to 4 per cent.

Continued on Back Page

Shop sales remain at high level. Back Page

Concern in West Midlands

Strong concern for the future of British industry is shown in the survey the CBI has carried out in the West Midlands.

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Continued on Back Page

Shop sales remain at high level. Back Page

## Arrests at Isle of Grain power station picket

BY JOHN LLOYD, LABOUR CORRESPONDENT

**BUSLOADS** of construction workers were driven through ranks of jeering pickets to the Isle of Grain power station in Kent yesterday as the interunion dispute at the site worsened significantly.

About 400 General and Municipal Workers' Union pickets tried to stop work at the site.

The 500 police made 37 arrests. Two policemen were slightly injured, one worker going into the plant was injured by a stone and another was later taken to hospital suffering from chest pains.

A meeting today of the unions involved in the dispute, called by Mr. Len Murray, general secretary of the TUC, to try to resolve the issue, will be boycotted by the major unions organising the construction union's national officer, and

would ask for TUC condemnation of the AUEW and the EETPU.

Describing yesterday's events as "an outrage," Mr. Basnett said these unions had "scored all trade union traditions by conniving with management to have the work of our members in dispute done by their members who are not time-served insulation engineers."

About 29 trainee insulation engineers, or laggars, are at work on the site, replacing the 27 GMWU laggars who have been in dispute since last August.

Mr. Baldwin said the replacement laggars were members of a number of unions, including the AUEW, the EETPU and the

Continued on Back Page

"Union against union". Page 10

## Nurses' pay talks break down

BY PAULINE CLARK, LABOUR STAFF

**PAY** NEGOTIATIONS for Britain's 480,000 nurses broke down yesterday amid union warnings that "all hell will break loose" if the Government continues to insist on a 14 per cent ceiling.

In a last-ditch attempt to avoid a pay battle which could lead to industrial action, the nurses' leaders called on the Prime Minister to intervene.

The unions are incensed by the management's refusal to allow an increase above the 14 per cent cash limits ceiling in spite of the recent 18.7 per cent pay award to doctors. They had previously been negotiating for a settlement within the 14 per cent ceiling—but only on condition that the ceiling applied throughout the health service.

Mr. David Williams, assistant services secretary in the Confederation of Health Service Employees (which represents 120,000 nurses) and chairman of

the Whitley Council's staff side said yesterday that industrial action by nurses could not be ruled out in the face of Government intransigence.

## EUROPEAN NEWS

**BITTER CAMPAIGN FOR VOTE THAT WILL AFFECT GOVERNMENT'S FATE**

# Economy dominates Italian polls

BY RUPERT CORNWALL IN ROME

FOREIGN POLICY and the Left have reached their lowest point in months. This is despite the fact that the survival of several Left-wing regional administrations after the vote on Sunday will depend on a fresh alliance at local level between Socialists and Communists.

The intensity of the accusations exchanged between the three major parties—Christian Democrats, Socialists, and Communists—reflects the collapse of the fragile understanding built up between 1976 and 1979 between the Christian Democrats and Communists.

The overridingly "national" character of the vote has been underlined by the acrimonious attacks of the Communists, not only on the new, less compromising Christian Democratic leadership, but also on the Socialists.

Relations between the two major parties of the Italian

Left have reached their lowest point in months. This is despite the fact that the survival of several Left-wing regional administrations after the vote on Sunday will depend on a fresh alliance at local level between Socialists and Communists.

However, such considerations are secondary to the importance for the Communists of showing that their loss of electoral support, apparent at last year's general and European elections, has now been stopped, if not reversed.

Whether this is likely to happen is not clear. But an increase in the Communist vote at the expense of the Christian Democrats, Socialists and Republicans—the other party in Sig. Cossiga's coalition—would amount, in Italian terms, to a vote of no confidence in the present government. Equally, it would reinforce the Communists' contention that without

them the country is ungovernable—and their demand to be included in an emergency administration to tackle Italy's ever more evident economic problems.

Last week's warnings from Sig. Filippo Maria Pandolfi on the gathering payments crisis, and the threat posed to the Lira, have concentrated fresh opposition criticism on the lack of government action to control inflation and boost the competitiveness of industry. Important indications may come at the Bank of Italy's annual meeting this Saturday, but no firm action—even the rise in petrol prices now thought to be inevitable—may be expected until after the election.

Meanwhile the Christian Democrats are concentrating their fire on what they claim to be the failure of Communist-led regional governments, installed in 1975, to

live up to the promises made at the last regional polls.

Of crucial importance will be the performance of the Socialists, whose rebellious left wing strongly opposed entry into the new Government. A gain for the Socialists over the 9.8 per cent won in the June 1979 general election would be a vindication of the Sig. Bettino Craxi, Socialist leader, to enter government. But a further drop would produce powerful pressure for him to pull out and thus automatically bring Sig. Cossiga down.

At the same time the split between the Communists and the Government has been underlined by foreign policy disputes, where the Communists and the Left condemned both the imposition of sanctions on Iran, and the Government's decision to send an official Italian team to the Moscow Olympic Games.

## Defence row threat over Giscardian report

BY ROBERT MAUTHNER IN PARIS

A REPORT published yesterday by the defence committee of the centrist UDF party in France, grouping President Giscard d'Estaing's supporters in Parliament, threatens to stir up the old quarrel between supporters and opponents of the Atlantic alliance in France.

While not going as far as to propose French reintegration in NATO's joint military command, from which it withdrew under General de Gaulle in 1966, the report adopts a firm Atlanticist stand, which is calculated to upset the Gaullists (RPR) and Communist parties.

The Giscardians advocate the arming of French forces with a panoply of tactical nuclear

weapons, including the neutron bomb, so as to raise the threshold at which strategic nuclear weapons would be used.

It is not yet clear whether the Government will openly approve the report. But it is certainly in line with the new military strategy first outlined by President Giscard four years ago, when he said that French forces must be prepared to fight at the side of their allies in the event of an attack on Western Europe's eastern borders.

Up to 1976, the official defence doctrine did not provide for anything less than a full-scale nuclear war in Europe. France's strategic nuclear weapons were to be employed

when the security of its own territory was threatened. The UDF report on the other hand, rejects the so-called "French fortress" doctrine, stating that the defence of France is inseparable from that of Western Europe as a whole, "within a solid alliance, which requires the participation of the US."

The security of France would be at stake as soon as hostilities broke out in Europe, it adds. There must therefore be no doubt about France's involvement, even though the final decision to use French forces and nuclear weapons must remain with the French Government.

In the event of a conflict, the French armed forces would form a particularly valuable reserve for NATO and the conditions of their participation in any European battle must be better defined in co-operation with France's allies.

Not least, the report, in effect, approves NATO's strategy of "flexible response," which it considers to be a more realistic doctrine than that of massive nuclear retaliation. Only a large number of tactical nuclear weapons, such as the neutron bomb, could provide an effective counterweight to the enormous superiority in conventional weapons of the potential enemy, it stresses.

## Offshore oil search by French

By Terry Dodsworth in Paris

FRANCE'S TWO State-controlled oil companies, Compagnie Française des Pétroles (CFP) and Elf Aquitaine, have been given the go-ahead for a FF 16m (£1.6m) seismic offshore exploration effort in the deeper regions of the French Mediterranean.

The exploration programme, which will cover about 80,000 sq km in French waters over a period of two years, comes as part of the current government drive to increase energy production from home-based sources wherever possible.

Some viable, though small, oil strikes have recently been made in the south-west of France, and Elf, which has strong links with this part of the country, has also announced a FF 1.8bn drilling project on 45 trial wells in Aquitaine. CFP, however, has had less success in the region.

In a separate energy development yesterday, Cogema, the French nuclear company, announced a new uranium discovery in the south-west of the country. Cogema said that the estimated reserves amounted to some 20,000 tonnes, or about one-fifth of the present uranium resources of France.

## WEST GERMAN BROADCASTING

# Political squabbles threaten a careful balance

BY ELGIN SCHOEDER IN BONN

MAJOR CHANGES in the West German media scene could result from a ruling expected today from the Federal Administrative Court in Berlin.

Immediately at issue is the future of Norddeutsche Rundfunk (NDR)—North German Radio—the country's second largest network. So far NDR has been run jointly by three of the Laender, the German Federal States. But political squabbling between two of the estates—run by Christian Democrat (CDU) governments—and the third, run by the Social Democrats (SPD), could well mean the end of NDR in its present form. One of its three owners, Schleswig-Holstein, is trying to break it up.

Beyond the NDR issue, many Germans, including Chancellor Helmut Schmidt, fear that the court's verdict may herald the beginning of the end of the country's present broadcasting system which, they say, has proved its worth over the past 30 years.

The system was established after the war with the kind of independence the BBC enjoys as its model. To make sure that broadcasting would never again be taken over by the state, it was during the Nazi

era, the Laender were made solely responsible for the broadcasting networks. Nine regional stations were set up, run by public-sector bodies made up of representatives of all "socially relevant" groups such as the political parties, the churches and the trade unions. These nine stations subsequently formed ARD, West Germany's first television channel. During the day this broadcasts separate regional programmes, but in the evening the stations contribute to a joint effort. In 1963 ZDF, the second channel, was founded—also in the form of a public corporation—representing all the Laender. This channel televises a single programme for the whole of Germany.

But from the start, the political parties jockeyed for more influence in the bodies managing and supervising the networks. The opinion-forming power of the broadcast word was the great lure. Soon, the CDU, then in power at Federal level in Bonn, began to complain that the SPD was exercising too great an influence on broadcasting, and that radio as well as television was "leaning" too far to the political left. Dr. Konrad Adenauer, the first Federal

of Schleswig-Holstein, finally lost his patience and gave notice that he wished to cancel the radio contract concluded between the three states. Initially, he only wanted, as put it, to "neutralise the one-sided programmes ruled by monotonous Marxism" to stop the network's "financial mismanagement" and to extend regional (i.e. Schleswig-Holstein) broadcasting.

But meanwhile Herr Ernst Albrecht, the Lower Saxony State Premier, was firmly determined to use this chance to provide an alternative to the publicly-owned channels by introducing privately run, commercial stations. "It would give me pleasure," Herr Albrecht admitted, "to reshape the whole German broadcasting system through NDR."

Social Democrat reaction was strong. Herr Schmidt spoke of "dangers more acute than those connected with nuclear energy," if commercial television were to come in. He warned that too much telly-watching could destroy family life and that West German programmes—widely regarded as among the highest in the world—would inevitably be lowered. This, he said, was

clearly demonstrated by the poor quality of Italian and U.S. television.

The advent of the so-called new media—including cable and satellite television—thought inevitable by experts of every political persuasion, pains the Chancellor. Herr Schmidt feels that the "proven system" has enough to offer everybody. Only last year, he stopped Post Office plans to lay cables in 11 West German cities to prepare for possible trials runs of private stations on the grounds that this would prejudice the commercial TV issue.

The Bonn Government is also trying to block Radio Luxembourg's plans to broadcast its commercially-oriented programme via satellite into every German living room.

The Berlin court meeting today will now—albeit indirectly—either protect this monopoly or open the door to rival networks which, in the eyes of the CDU would guarantee "healthy diversity of opinion." The five judges have to decide whether NDR will be dissolved by the end of the year, or whether Schleswig-Holstein alone—as the State which gave notice on the contract—will now go its own way.

Lower Saxony and Schleswig-Holstein seem confident that the NDR will be dissolved. The Premiers of both states have already signed a provisional radio contract excluding Hamburg, but including private broadcasting companies.

The SPD also appears to be reckoning with a dissolution. At its request, two legal experts have examined the issue and concluded that the contract could lead to an infringement of radio freedom. On the basis of this, the SPD then announced that it would appeal to the Karlsruhe Constitutional Court if a two-Laender channel should be formed.

If NDR really does break up, ARD, the first TV channel which has carefully to balance the interests of nine regional stations, will be deeply affected. Not only does NDR contribute 19 per cent of the channel's programme—including the 8 o'clock news and the 10 o'clock news comments—it also provides from its licence income roughly DM 21m (£3m) annually for the needs of smaller and therefore poorer stations.

Beyond that, the dissolution of NDR could start a chain reaction from which no German network would escape unscathed.

## Support farmers

The French have said that if no agreement is reached this week, they will support their farmers with rebates on value added tax, special subsidies for young farmers, payments on suckling cows and subsidies in the fruit and vegetable sector.

Should the European Commission decide on closer examination of the details, that these measures do not violate EEC rules, the other member states will be able to do little other than to express their displeasure.

But this is likely to be widespread. For the other countries would come under pressure from their own farmers to pay similar subsidies out of national funds. Poorer countries such as Italy and Ireland feel they could not afford this, and richer countries such as Germany and the Netherlands, resent the attempt to bypass normal council procedures.

If, on the other hand, the Commission considers that the French measures do violate EEC rules, France cannot proceed legally without a unanimous vote of support from the council—something the British would certainly veto.

The French, already in defiance of the European Court of Justice over their illegal curbs on British lamb imports, might be tempted to press on regardless, knowing that it would take several months for the resulting legal procedures to take their course.

But it is felt, they would do this only as a last resort. Commission officials suggest that the French Government does not wish to lose face before its farmers and expose itself to the inevitable jeers of M. Jacques Chirac, the Gaullist leader, but equally that it has little to gain by destroying the machinery of the Common Agricultural Policy.

## Explosive issue

Consequently, it is suggested that M. Pierre Mahegalie, the French Minister, will be under pressure from the other Ministers to hold back.

The other explosive issue on the council's agenda concerns the inclusion of lamb and mutton in the CAP. The French, supported by the Irish, won reluctant support from all members except Britain at the Luxembourg meeting for proposals to support high lamb prices with intervention buying. They still hope to win support for subsidies on exports of EEC lamb to third countries.

The British have long resisted these proposals because, although they would not cost a great deal initially, they are felt to be unnecessary and would be greatly resented by competing producers such as New Zealand.

Intensive lobbying in EEC capitals in the past fortnight by the New Zealanders may have weakened support for the French on this point but it is widely felt that the British may have to give some ground.

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# French 'in EEC farm price trap'

By Margaret Van Houtte in Brussels

FRENCH Government threats to bypass a British block on this year's EEC farm price review by paying national aids to its farmers promise an unpleasant start to today's Farm Council meeting in Brussels.

Some countries sympathise with the French desire to unblock farm payments but no-one wants to see them drive a bulldozer through Community rules. Many feel the French are caught in a trap of their own making.

With little prospect of a snap solution this week on Britain's demands for a cut in its payments to the EEC budget, France's decision to link the budget dispute to a farm price settlement is starting to backfire.

The French Government has promised its increasingly militant farmers that they will receive from next month the higher EEC support prices agreed by all member states except Britain in Luxembourg last April.

The British Government has signalled that it, too, will accept most of the Luxembourg package, including a 5 per cent average farm price rise and virtual abandonment of plans to curb the costly dairy surplus—but only when the other countries come up with a satisfactory budget offer.

It is widely felt that the French do not wish to sabotage any emerging budget deal by precipitate action on farm prices, and that their threat to introduce national measures is mainly an attempt to step up pressure on the British.

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## Dutch trade deficit doubles

By Charles Batschler in Amsterdam

THE Netherlands' foreign trade deficit nearly doubled in the first few months of the year while unemployment remained at disturbingly high levels, according to the latest official figures.

The trade deficit rose to F1786m (£162m) in the first three months of 1980 from F1389m in the same period last year, according to provisional Central Statistics Office figures. Exports rose by 28 per cent to F133.45bn (£7.9bn) but imports rose by 29 per cent to F132.4bn.

The poor performance in March accounted for most of the worsening of the country's trade position. The deficit rose nearly threefold to F1736m from F122.2m with exports 20 per cent higher at F112.32bn and imports 24 per cent higher at F114.05bn.

The seasonally adjusted unemployment figure rose by 7,000 during April to 218,000, and although the actual number of jobless fell slightly, this decrease was considerably lower than normal at this time of year.

The unemployed amounted to 5.1 per cent of the working population compared with 248,300 or 5.7 per cent in April 1979. The seasonally corrected number of vacancies also rose during the 12 months to the end of April—by 5,200 to 66,900.

The main reason for the April increase in unemployment was the depressed state of the building industry, where the jobless total rose 13 per cent compared with the 37 per cent average. High interest rates have sharply reduced housing demand in recent months.

## Community expects to import 10% more coal this year

By JOHN WYLES IN BRUSSELS

COAL IMPORTS into the EEC are expected to rise by slightly more than 10 per cent this year, according to the latest forecasts from the European Commission which point, however, to a slight overall drop in Community coal consumption in 1980.

The predicted rise in imports follows a 30 per cent increase in 1979 when South Africa overtook Poland as the principal supplier of coal to the Community. The Commission says that last year's 11m tonnes rise in imports to a total of 59m tonnes reflected a booming demand for steam coal for electricity generation and coking coal for the Community's steel industry.

## OVERSEAS NEWS

## Confident Obote in emotional return to Uganda

BY MICHAEL HOLMAN IN BUSHENYI, UGANDA

DR. MILTON OBOTE, the former Ugandan President, returned home yesterday after a nine-year exile, kissed the earth of a remote airstrip, and launched his campaign to recover the office he lost to Idi Amin in 1971.

His return marks an event virtually without precedent in Africa. Other deposed leaders have either been killed during their country's coups or are in exile as outcasts with no support and no chance of return.

As Dr. Obote stepped off the Tanzanian Air Force Buffalo transporter which had brought him from the Tanzanian capital of Dar es Salaam—where he had lived as a beachside neighbour of President Julius Nyerere—he knelt and kissed the dusty airstrip at Mbarara, in south-west Uganda.

There were emotional scenes as Dr. Obote embraced old friends and political comrades. But the veteran Ugandan leader, with his hair combed back and up in characteristic style, lost no time in reassuring his political presence. In an 18-page prepared address to a 10,000-strong rally here in Bushenyi, 40 miles from Mbarara, he pledged that if his Uganda People's Congress came back to power it would end corruption, restore law and order, and bring about the reconstruction of the economy.

He also asserted that there would be no nationalisation. A general election is scheduled in Uganda before the end of the year. Technically Dr. Obote still has to secure the Presidential nomination of his party, which he led during his eight years in office, but the confident tone of his address

suggests that he has few doubts that the nomination is his.

Dr. Obote's future is far from secure, however. He faces opposition from prominent individuals within the party, his unpopularity among the majority Buganda tribes is a severe handicap and he could well be challenged in an election by members of the present six-man ruling military commission—possibly the former Defence Minister, Mr. Yoweri Museveni, his associate, Mr. Paulo Mwanga, chairman of the commission.

Dr. Obote was nevertheless accused of the trainings yesterday that usually surround heads of state. The Zambian Government sent a delegation in an Air Force plane, and over 300 Tanzanian troops from among the 11,000 still in the country fanned out around the airstrip.

At a clearing near the little town, surrounded by eucalyptus trees, an immaculately turned-out Ugandan police band played a selection of tunes. Armed Tanzanian soldiers were responsible for tight security, leaving the blue-uniformed Ugandan policemen to do little more than direct traffic.

Dr. Obote lashed the performance of the post-Amis administration of Professor Yusufu Lule and Godfrey Bimasa. He dismissed as "malicious propaganda" suggestions that he had little support among the Buganda people, Uganda's largest tribe which resents Dr. Obote's dismantlement of their powerful kingdom. He will put his popularity to the test next week when he is expected to return to Stockholm yesterday.

## Iran bid to strengthen Premier's powers

By Andrew Whithay in Tehran

ON THE EVE of today's opening of Iran's post-revolution Parliament, the leader of the hard-line Islamic Republican Party (IRP) has made a strong bid for the new Prime Minister rather than the President to be considered as the country's chief executive.

The surprise announcement is yet another move in the long-running contest for power between Mr. Abol Hassan Ban-Sadr, the President, and the militant clergy led by Ayatollah Beheshti of the IRP.

The question of the powers of the Prime Minister, who under the constitution is chosen by the President and approved by Parliament, is scheduled as the first substantive matter of discussion for the 270 parliamentarians. Earlier, Mr. Ban-Sadr's attempt to set up a provisional government before the opening of Parliament was foiled by the IRP.

After lengthy negotiations behind the scenes the rival camps agreed on Mr. Hassan Habibi, the Revolutionary Council's spokesman, as a compromise premier, though some politicians have cast doubt on whether he will eventually be approved.

William Dulfur reports from Stockholm: The three European Socialist leaders' visit to Tehran could have contributed to solving the issue of the American hostages by demonstrating that the rest of the world took a positive interest in Iran and its revolution. Mr. Olof Palme, the Swedish Social Democrat leader, said on his return to Stockholm yesterday.

## Begin considers hard-line reshuffle

BY DAVID LENNON IN TEL AVIV

MR. MENAHEM BEGIN, the recently stalled Palestinian Israeli Prime Minister, is considering a Cabinet reshuffle which would transfer the hard-line Foreign Minister, Mr. Yitzhak Shamir, to the vacant post as rapidly as possible. It clearly intends to signal that as far as he and the coalition are concerned the loss of Mr. Weizman does not create any major problems.

The Prime Minister's office would not confirm Israel radio reports that the reshuffle would bring the hard-line Energy Minister, Mr. Yitzhak Modai, into the Foreign Ministry. But it was acknowledged that Mr.

Begin wants to fill the vacant Defence Ministry portfolio as soon as possible and may announce his decision to the Knesset on Thursday.

The reshuffle would leave the hardliners more firmly in command in the Cabinet, and is bound to make even more remote the prospects for successfully concluding the cur-

rently stalled Palestinian autonomy negotiations with Egypt. The appointments, if confirmed, would serve to underline the accusation by Mr. Weizman in a resignation letter to Mr. Begin that the Government was stalling in the peace negotiations. In a harsh reply charged the outgoing Defence Minister with overweening ambition to become Prime Minister.

At the same time the appointments could defuse the Cabinet crisis, which undoubtedly would have arisen if the Prime Minister was to appoint his favourite candidate Mr. Ariel Sharon, the Minister of Agriculture, to the defence post. Mr. Sharon has threatened to resign if he is not awarded the Defence portfolio.

Mr. Begin has obviously decided to move with speed to

replace Mr. Weizman in order to lessen the impact of the resignation of the popular Defence Minister. By filling the vacant post as rapidly as possible, it clearly intends to signal that as far as he and the coalition are concerned the loss of Mr. Weizman does not create any major problems.

It would also emphasise Mr. Weizman's relative lack of skill in domestic political infighting. Rather than bring down the Government as he had hoped, Mr. Weizman has been forced into the political wilderness by the peace initiative of President Sadat.

Mr. Shamir—and for that matter Mr. Sharon—shares the views of Mr. Begin and the Cabinet majority. This makes it even more difficult to envisage any possibility of reaching a compromise on the future of the occupied West Bank and Gaza Strip without a replacement leadership. Mr. Weizman lent a note of reasonableness to

## Egypt tightens controls on banks

By Roger Matthews in Cairo

FOREIGN and joint-stock banks in Egypt are to be required to deposit 15 per cent of their foreign currency deposits with the Central Bank.

Dr. Adel Razzak Abdel Meguid, the newly-appointed Deputy Prime Minister in charge of the economy, said yesterday that the move would serve to increase substantially the foreign currency reserves at the Central Bank. In turn this would reduce Egypt's need for loans from foreign banks and other credit institutions.

The details and timing of the scheme have yet to be announced. Foreign bankers said they were still unsure whether the 15 per cent was a straight non-interest bearing reserve requirement or whether it would carry rates roughly in line with the London Inter-Bank Offered Rate (LIBOR).

Although Dr. Abdel Meguid said that the banks had welcomed the move, not all of them were represented when the initial discussions were held last week.

There are some 18 branches of foreign banks working in Egypt, four joint-stock banks that are allowed to deal in foreign currencies, 13 Egyptian-controlled banks that can deal in both foreign and local currencies, plus the Arab African International Bank and the Arab International Bank that are pure offshore operations and outside Egyptian law.

Some foreign banks have been criticised in the past for not involving themselves more fully in development projects. The arguments are particularly directed against those whom the authorities considered to be under-lent and were at the same time recording steadily increasing profits.

## Saudis 'embark on new Middle East peace plan'

BY IHSAN HUAZI IN BEIRUT

FIFTY-THREE leading South African clergymen were charged under the country's Riotous Assemblies Act yesterday as the boycott of classes by black and coloured (mixed race) students showed every sign of gathering renewed momentum.

Reports of widespread police detentions, and clashes between school pupils and police, came from differing parts of the country.

For the first time in the latest unrest there was a major demonstration in a rural tribal homeland.

Tens of thousands of school and university students are now involved in what began as a specific protest against poor facilities in coloured schools.

There were also reports of simmering violence over a strike by some 4,000 black textile workers in Durban, where buses have been stoned.

The clergymen, including the Rt. Rev. Timothy Bavin, the Bishop of Johannesburg, were charged for staging a demonstration in Johannesburg yesterday over the detention of a leading Congregational minister, the Rev. John Thorne.

Police confirmed that 2,000 pupils were dispersed with batons when they demonstrated in Witwatersrand, capital of Qwa Qwa, South Africa's smallest homeland.

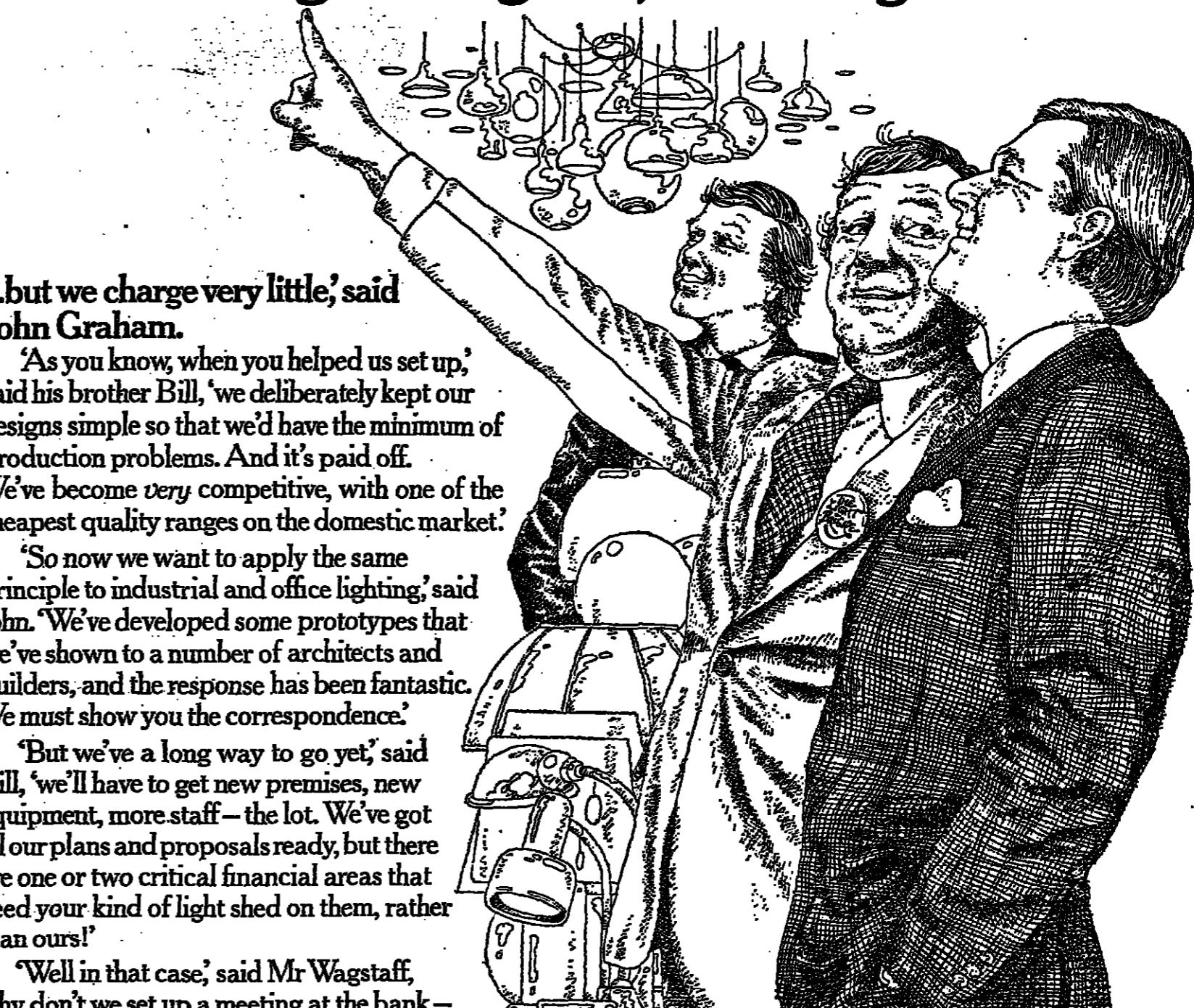
A police spokesman said 46 schools on the Cape peninsula, and 24 in the Eastern Cape

the Palestinians to agree to peace with Israel if the latter would promise to withdraw from occupied Arab territory. Prince Fahd was this week on a visit to Morocco and will later go to Algeria.

Prince Abdullah—who is the country's second Deputy Prime Minister, commander of the national guard and the third in line to the throne after King Khalid and Prince Fahd—said Israel could have peace in exchange for a Palestinian state.

The Saudi statements have drawn strong condemnation from two hardline guerrilla groups, the Popular Front for the Liberation of Palestine and the Democratic Front for the Liberation of Palestine.

## 'We call ourselves "The Light Brigade," Mr Wagstaff...'



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'So now we want to apply the same principle to industrial and office lighting,' said John. 'We've developed some prototypes that we've shown to a number of architects and builders, and the response has been fantastic. We must show you the correspondence.'

'But we've a long way to go yet,' said Bill, 'we'll have to get new premises, new equipment, more staff—the lot. We've got all our plans and proposals ready, but there are one or two critical financial areas that need your kind of light shed on them, rather than ours!'

'Well in that case,' said Mr Wagstaff, 'why don't we set up a meeting at the bank—or here if you like—and get your accountant, Jack Rogers, along and we'll all have a look at the balance sheet. Then if that's all right and you make sure you keep the domestic side of your "Light Brigade" going at a steady gallop, I should think the bank could be very interested. So here's to a bright future!'

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## AMERICAN NEWS

**Machine tool orders fall 22%**

By Jurek Martin, U.S. Editor, in Washington

ORDERS FOR machine tools in the U.S. fell by 22 per cent in April, an indication that this key industrial sector is also suffering the effects of the U.S. economic recession.

The April order book of \$415m compared with \$528.7m in March was 10 per cent under the \$416m of April last year, according to the National Machine Tool Builders Association.

The organisation also reported that its members were not expecting a fall in orders comparable to the 1974-75 recession—though with U.S. industry now only operating at about 81 per cent of capacity; some fall in the coming months was inevitable.

**More severe**

Mr. Charles Schulze, chairman of the Council of Economic Advisors, admitted that the recession had turned out to be more severe than expected. He foresaw an unemployment rising to more than the 7½ per cent the Administration had been forecasting. At present, it stands at 7 per cent.

But he argued that what he called "corrective factors," principally the sharp decline in interest rates, had been working "at a very, very substantial price."

**Arizona plans to keep its spaces empty**

BY DAVID LASCELLES, RECENTLY IN PHOENIX

IF YOU want to know what the future holds, go to Arizona. This, at least, is the enthusiastic view of Mr. Herman Kahn, the celebrated expert on the future who has just completed a two-year study of the state, focusing on the year 2012, its centennial. Not everyone agrees with Mr. Kahn: some find the place too hot, others complain about the political climate.

In no time, city-dwellers can reach the open desert, the hills or mighty rivers like the Colorado to indulge in sports ranging from hang gliding to surfing (on a man-made lake with wave-making machines). Exotic flora and fauna are abundant. And should all this begin to pall, the escape routes to California, Mexico and Las Vegas are excellent.

It sounds a bit like wonderland, and to some extent it is. The air-conditioned, car-borne, poolside lifestyle is strongly dependent on modern technology, plus energy and water.

The first is obviously inadequate, provided it does not break down in the 100-degree-plus summer temperatures. As such, he says, it marks a post-industrial marriage between an appealing environment and new technology, where lifestyle considerations are the central principle around which society is organised.

One can see what Mr. Kahn is getting at. A few decades ago, Arizona was an empty space. About a third of it was desert, a third arable land, and the rest stunning mountain scenery, including the Grand Canyon, all bathed in blue skies and sunshine.

Today towns like Phoenix, Tucson and Yuma have sprung up, and a fast-growing economy has evolved around mining, industry and tourism, yielding its inhabitants a gross national product per head of some \$8,000. But with only 2.5m people living in an area slightly

larger than the British Isles, more than 95 per cent of the state has barely been touched by human hand.

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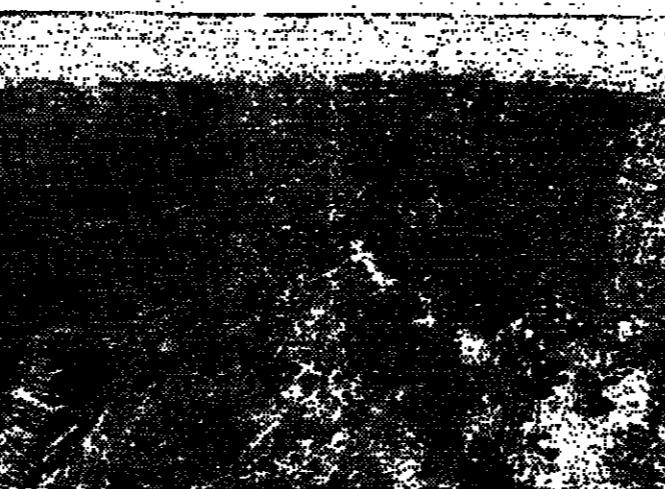
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The Grand Canyon is the most famous symbol of Arizona's wide-open spaces, but elsewhere the state feels threatened by unbridled development.

can play a big role too, but this has been slow in coming, because energy from other sources was so cheap in the past.

Water is the biggest problem of all. Mr. Kahn predicts there will be plenty to go around, but others disagree. The water table has fallen alarmingly, they say, and the main incremental source will have to be the already heavily-used rivers.

Actually, plenty of water reaches Arizona as rainfall, but only a small part of it can be retained in reservoirs up in the mountains. In the past five years, rainfall has been so heavy that three times water engineers

have had to release trillions of gallons from the reservoirs into the rivers. Ironically, this has flooded towns, swept away bridges and cause massive dislocations to business life. Not long ago, Phoenix was cut in half by floods, and for several days one side of the city could not reach the other except by helicopter or train—the rail bridge held, unlike the road bridge next to it.

Arizona's attractions have not been lost on the rest of the country. Migrants are swarming in, creating an unemployment problem. But the state government is keen to attract new outside business—the service

industry is booming, and Arizona is now the third largest electronics centre in the U.S., after California's Silicon Valley and Boston.

Mr. Clarke Bean, chairman emeritus of the Arizona Bank, one of the state's largest, speaks admiringly of the business promotion efforts of Governor Bruce Babbitt: "He's built a lot of bridges."

But others are less sure. Mr. Gerald Trautman, chairman of Greyhound Corporation, the largest company to have moved its headquarters to Arizona, complains of political interference, and says that he is thinking of moving out again.

Another fast-growing industry is retirement. A few miles outside Phoenix, cotton-growing lands are giving way to Sun City, the largest retirement community in the U.S., with 50,000 residents. The pensioners have brought huge amounts of capital to Arizona, but they have also raised the state's average age, which worries those who tend the state's zestful image.

But Arizona will clearly have to do a lot of adjusting if it is to fulfil Mr. Kahn's expectations of it.

In huge tourist attractions (which include transplanted London Bridge) are already creating demand for hotels, which will have to be carefully planned if the attraction is not to be destroyed in the process. Even today the Grand Canyon draws more than 3m people a

year, clogging the facilities there and forcing the authorities to ban cars and run shuttle buses instead. The Kahn study also predicts that the state's population will at least treble by 2012, probably quintuple.

Meanwhile, agronomists are busy researching new crops that will use less water and free more of this precious resource for human use. Among their finds are guayule, an alternative to natural rubber, and jojoba, which produces oil.

Above all, Arizona wants to avoid the "Californian and Florida experience, where unbridled growth turned fine countryside into a semi-urban wasteland, this means the state will probably have to accept a higher level of centralised planning.

But this is all part of what Mr. Kahn describes as "the Faustian risk": Arizona can plan now for a prosperous long-term future, foregoing some pleasures in the process, or it can indulge its lifestyle to the full, and sell its soul.

**Top China Minister to see Muskie**

By Our Washington Correspondent

MR. GENG BIAO, the Chinese Vice-Premier and equivalent of Defence Minister, yesterday opened talks in Washington with the Carter Administration in a trip of considerable political and practical significance in terms of military-support exports to China.

During his visit, Vice-Premier Geng, who is rated high in the Peking hierarchy, will also see Mr. Edmund Muskie, U.S. Secretary of State.

Vice-Premier Geng is returning the visit made to Peking in early January by Mr. Harold Brown, U.S. Defence Secretary. That mission, during which Mr. Brown said the U.S. was ready to sell China hardware with "military support applications" such as trucks and radar, constituted a marked tilt towards Peking.

Previously, the Administration had sought to maintain an even-handed attitude to the two Communist powers. But, with the signing of a trade pact with China, Congressional approval. In January of favourable tariff treatment for Chinese goods, and now the defence chiefs' reciprocal visits, the policy bias is clearly in Peking's favour.

As talks began this week, U.S. officials did not seem to know what military support items the Chinese might have in mind. But the U.S. has clearly stated it will not sell actual weapons to China.

**McDonnell Douglas 'may face damages over crash'**

CHICAGO — McDonnell Douglas Corporation could be held liable for punitive damages but American Airlines could not, after last year's DC10 crash here in which 273 people died, a Federal judge has ruled.

The awarding of punitive damages will still have to be determined by a trial, Judge Hubert Will said. McDonnell Douglas, which manufactures the DC10, could be assessed for punitive damages if found guilty of wilful misconduct, he added.

An earlier Federal investigation pinned the major part of the blame for last year's crash on American Airlines.

Judge Will called this decision "crazy," in that "it seemed to go against the investigation's conclusions," but he said he was compelled by the present state

**Hopes rise for Peru Embassy refugees**

By Hugh O'Shaughnessy

THE FUTURE of the 455 people still inside the Peruvian Embassy in Havana and their eventual evacuation from Cuba may soon be resolved as intense diplomatic negotiations between Cuba and Peru continue.

The 455 are the last of the 10,386 who came to the embassy after the police guard was lifted last month. Many of the refugees have already left with Cuban safe conducts and have reached the U.S. Police barricades now block access to the embassy, and it is impossible to get within several blocks.

There is a continuing impasse over the evacuation of Cuba through the port of Mariel where several hundred vessels are waiting to take passengers to the U.S. Having rejected a conference with the U.S., Britain and Costa Rica, Cuba is apparently seeking bilateral talks with countries willing to take refugees.

The Cuban press is taking full advantage of the racial disturbances in Miami and warning black Cubans that if they go to the U.S., they run the risk of falling victim to the KKK Klan.

The refugee question is not halting diplomatic efforts in the Third World where Cuba is actively seeking a solution to what Havana is calling "the Afghan Problem."

Cuba has made little secret of its intense embarrassment over the Soviet invasion of Afghanistan and has been working for some international agreement on the withdrawal of Soviet troops.

Cuban diplomats have been emphasising that it is unrealistic merely to demand the withdrawal of Soviet forces unconditionally and that some formula must be found under which no-one would lose too much face.

David Buchan adds from Washington: "Arkansas and Florida police were yesterday rounding up stragglers from the several hundred Cuban refugees who over the weekend broke out of the Fort Chaffee and Eglin military bases, in frustration at their slow handling by U.S. immigration officials."

The refugees are still coming by boat from Cuba to Key West, Florida, much faster than they can be resettled in the U.S. Between midnight and 9 a.m. yesterday, another 1,360 arrived. Delays in the processing are thus inevitable.

In both the Arkansas and Florida base "break-outs" several refugees and U.S. officials were injured as migrants called to listen to Cuban grievances erupted in stone-throwing.

By early yesterday, the number of Cubans reaching Key West in the past five weeks since President Fidel Castro chose to step up the exodus rose to 82,645.

**McDonnell Douglas 'may face damages over crash'**

of the law, which is less than ideal."

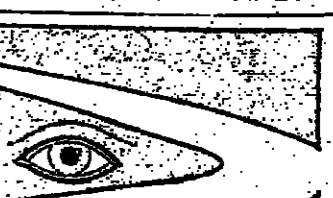
American Airlines could not be held liable for punitive damages because the law of New York State, where the airline was formerly based, prohibited such damages, Judge Will went on. American Airlines is now based in Dallas, Fort Worth.

McDonnell Douglas could be sued for punitive damages under state law in Missouri, where the company is based.

Mr. John Kennedy, a lawyer for some of the victims of the crash, said an appeal was planned.

McDonnell Douglas said the company's counsel believed that the Judge's ruling—that in this case Missouri law allowed plaintiffs to seek punitive damages—is in error, and will be appealed against.

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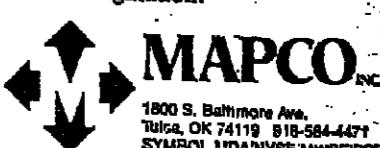
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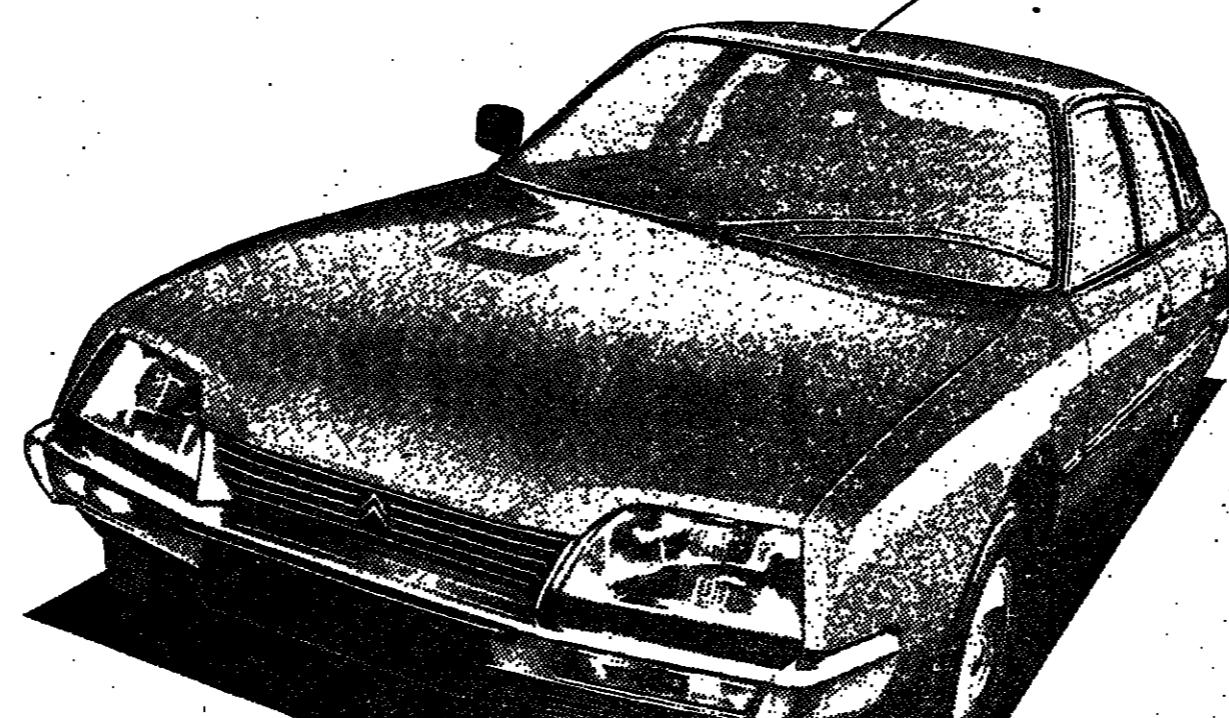


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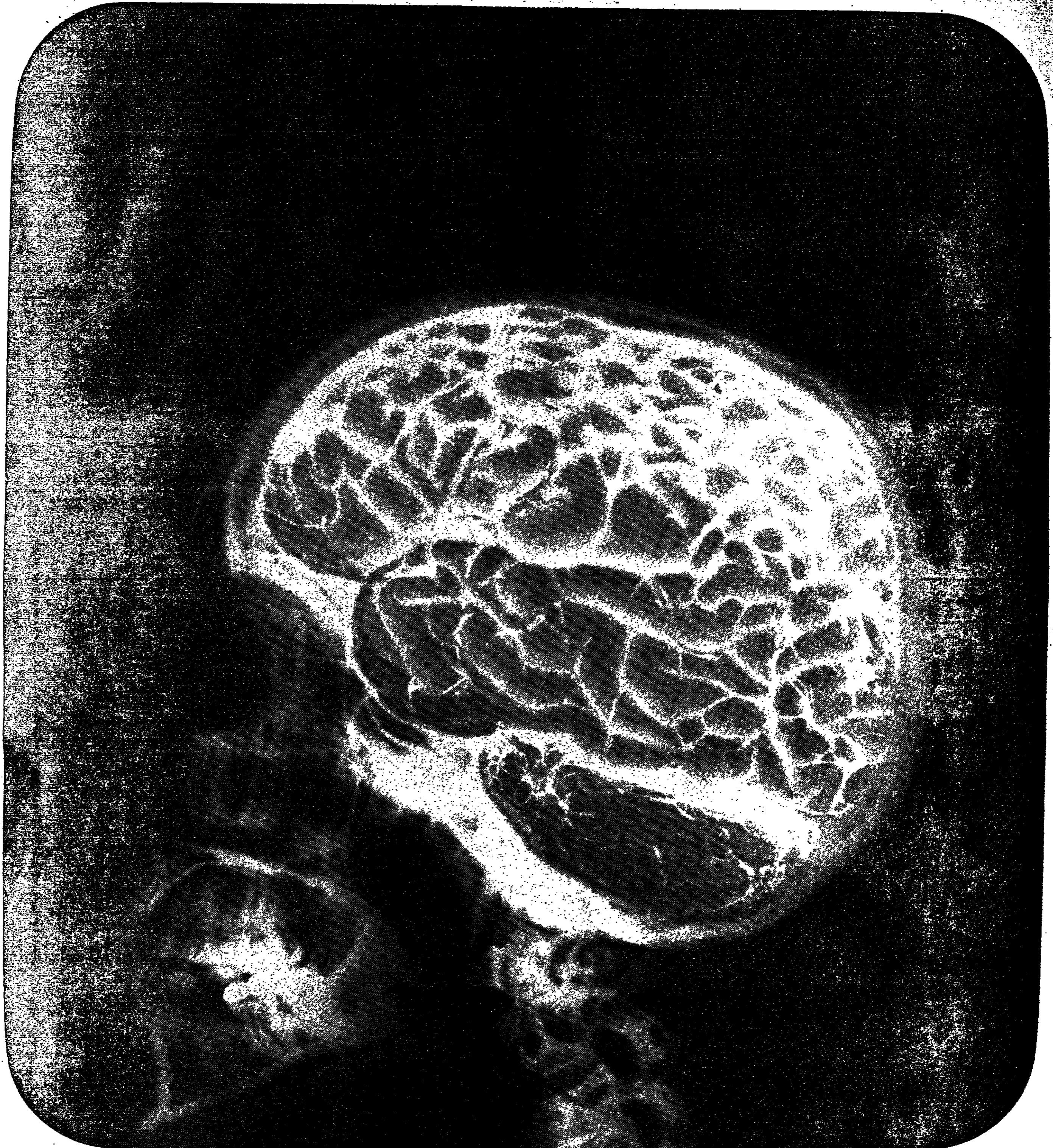
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## WORLD TRADE NEWS

**Lufthansa to order more Jumbo jets**

By Roger Boyes in Bonn  
LUFTHANSA, the West German national airline, has decided to order four Boeing 747s and placed options for a further two Jumbo jets.

The company said that the new aircraft are to be supplied between September, 1981 and March 1982. With one Boeing 747 already ordered and due to be delivered in November this year, the airline will be operating a total of 18 of the 747s by the end of 1982.

Lufthansa says the new aircraft, together with the 10 Boeing 747s already in service and 11 DC-10s, will make up its long-range, wide-body fleet.

The relative newness of the Lufthansa fleet has begun to pay off both in terms of providing more flexibility in adjusting to shifts in passenger demand and in terms of fuel consumption. Nevertheless the price of oil remains a serious problem—the share of fuel in overall costs last December reached 18.5 per cent compared with 10.4 per cent in the same month of 1978.

Two of the new aircraft will have side loading cargo doors and will be able to carry 278 passengers as well as six 10-foot freight containers.

**Pemex to supply 11% of Sweden's oil needs**

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

**SWEDEN** WILL be able to buy 3.5m tonnes of oil a year from Mexico starting from the latter part of this year, Mexican President Jose Lopez Portillo confirmed during his visit here last week. This will be the first time that Mexico has supplied oil to Sweden and will amount to roughly 11 per cent of Sweden's oil requirements.

During St. Portillo's visit the two Governments also signed a memorandum on industrial co-operation, under the umbrella of which several Swedish companies hope to expand their business in Mexico. Among the

fields listed for joint ventures are steel-making, mining, petrochemicals, shipbuilding, pulp and paper manufacturing, port development and electric power production.

One remaining problem concerns the oil with a high sulphur content which currently makes up 40 per cent of Mexico's oil exports and which Sweden cannot refine domestically.

The technical and commercial details will be worked out later this summer between Pemex, the Mexican state oil monopoly, and three Swedish oil companies—

the state-owned Svenska Petroleum, the consumers' co-operatives' OK and Nyfors, a subsidiary of the Axel Johnson group.

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Kevin Done writes from Frankfurt: Petroleos Mexicanos, the Mexican chemicals company, owned 57

per cent by the Mexican Alfa concern and 40 per cent by BASF, the West German chemicals group, is to invest around DM 150m (£36.5m) in the construction of two plastics plants. Both will be built at Altamira in Tampico on the Gulf of Mexico coast and are expected to begin operation in 1983.

One plant will produce MDI, a chemical intermediate used in the manufacture of polystyrene, and will have a design capacity of 20,000 tonnes a year. The second plant, for the

production of polystyrene plastics will have a capacity of 35,000 tonnes a year. Production from both plants will be aimed at export markets as well as domestic consumers.

Another Mexican company in which BASF holds a 40 per cent interest, BASF Vitaminas, the other 60 per cent is held by Bancomer—is spending DM 5.2m on the construction of a plant to manufacture vitamin A and E powder. The plant is aimed at meeting part of the growing Mexican need for animal feedstuffs.

**Mexico to sign 50,000 b/d treaty with Canada**

BY ROBERT GIBBENS IN MONTREAL

**OIL** WILL be flowing from Mexico to eastern Canada at the rate of 50,000 barrels daily by the end of the year under a treaty being signed in Ottawa today. But Mexico is making no firm commitment to raise the flow to 100,000 daily and refutes suggestions of setting up an energy common market with Canada and the U.S.

The oil will begin flowing at about 10,000 b/d by October and will reach the 50,000 b/d level two months later. Canada had been hoping the Mexicans would be willing to raise the level to 100,000 b/d within a few years but it has been made

clear that further increases will have to be negotiated.

An agreement finalised more than a year ago by Mexico and Canada said both parties "agree to deploy their best efforts in order to achieve an objective of 100,000 barrels a day as soon as possible."

The 50,000 b/d represents less than 10 per cent of eastern Canada's total imports. Mexico, like Canada's other main supplier, Venezuela, insists on including a growing amount of heavy crude in its shipments. This will mean costly spending on eastern Canada refineries receiving this oil. In order to reduce sulphur content,

In return, the Mexicans are receiving commitments to Canadian technology and a further boost in tourism. Canada would dearly like to sell Mexico the CANDU nuclear power system, and Atomic Energy of Canada is acting as consultant to the Mexican Electrical Commission on the country's overall power needs.

Mexican officials with President Jose Lopez Portillo in Ottawa stress the need for electrical transmission technology, farm development know-how, mining and metallurgical technology, telecommunications, and specialised industrial know-how. The Canadians would

further like to sell petrochemicals and gas processing plants.

Observers do not expect any sudden increase in Canada-Mexico trade beyond the imminent flow of oil and rising tourism. There is strong U.S.-Japanese and European competition. Two-way trade last year totalled nearly \$150m (£134m), which was far less than the total with Venezuela and several other Latin American countries. Canada had a slight surplus but this will turn to a heavy deficit with oil imports in 1981.

Mexico has recently reduced its 42 per cent tax on the import of foreign technology, and Canadian engineering and project management funds now say they can live with it. One major company will shortly be opening a branch on a joint venture basis in Mexico. In the long term, the capital goods field seems most encouraging for Canadian companies because of heavy investment in Mexico the total Canadian investment in Mexico, on a book value, is about \$250m, mostly in the mining industry. This represents about 2 per cent of total foreign investment in the country, but the Mexican 51 per cent ownership rule makes an increase unlikely.

**Mexicans may raise level of crude shipments to Japan**

BY RICHARD C. HANSON IN TOKYO

**JAPAN** HAS stronger assurances than at first indicated that Mexico will increase shipments of crude oil to 300,000 barrels per day in 1983 from a publicly-agreed 100,000 barrels due to be reached later this year.

The first shipment of Mexican crude to Japan will arrive late next month in a tanker containing 750,000 barrels. It is expected that shipments next year can be increased to 150,000, and if production in Mexico increases as planned, that the 300,000 target will be reached the following year.

The Mexican oil represents a very small portion of Japan's oil needs. The uncertainty of supplies from Iran, however, has forced the Japanese to diversify their sources of supply as much as possible. Since Iranian oil shipments were cut off last month over a pricing dispute, Japan has reached directed agreements with Nigeria, Libya and Venezuela for crude imports from Mexico.

• AP-DJ adds from Mexico City: Petroleos Mexicanos, or Pemex, Mexico's national oil monopoly, said it has signed contracts with the government of neighbouring Belize to provide 12 million gallons of diesel oil and an unspecified amount of liquefied natural gas this year.

**\$15m Java carbon black contract**

By Richard Cowper in Jakarta

**AUSTRALIAN** Carbon Black is expected to win the contract to provide the engineering and technology for a 20,000-tonne a year carbon black plant at Cilecap, in central Java.

The Australian company is also set to become the foreign operating partner in the U.S.\$15m joint venture project with Pertamina, the Indonesian state-owned oil company, the Indonesia Development Bank, also state-owned, and P. T. Ramset, a private Indonesian company.

It also plans to start a shipping service of its own to the U.S. and other destinations by hiring vessels on favourable terms and carry cargo at freight rates 20 per cent cheaper than what the conference lines charge. The first such service will start early next month, and the sailing would operate to New York, Houston, Philadelphia and Savannah. Services to UK/Continent and West Asia and Gulf routes have been planned for later.

Mr. Sanjay Sen, the president of Eastern India Shippers' Association and the deputy chairman of the All India Shippers' Council has said that the move is basically against the unjustified hike in the freight rates by conference lines ranging from 100 per cent to 150 per cent over the past decade.

**Brazilians dream of boom in China sales**

BY DIANA SMITH IN BRASILIA

**THE THOUGHT** of selling enough cotton to dress even a small percentage of China's 1bn people brings a dreamy look to the eyes of Brazilian traders.

It conjures up visions of thousands of acres of new plantations in Brazil's impoverished northeast, new jobs for the migrant rural poor, and new revenue for hard-pressed state and municipal bodies.

For the moment the dreamed of boom in cotton sales to China is but a seed planted during the recent meeting in Peking of the two-year-old Brazilian-Chinese Trade Committee. But with seven Chinese missions visiting Brazil this year, and a steady flow of Brazilian officials and private businessmen towards Peking and Shanghai, there is little doubt that the idea will be nurtured in the months to come.

Despite the axiom "one does not sell to the Chinese—they buy what and when they see fit," Brazil's trade with China has picked up rapidly since diplomatic relations were established in 1975.

To date there has been more selling by the Brazilians than by the Chinese—of iron ore, shipped at a rate of 750,000 tonnes a year, steel alloys, soybeans and meal, sugar and even a little coffee.

With China's massive steel industry expansion plans, the Brazilians hope to sell more iron ore. At present, they operate under a \$1bn contract signed in 1978 for a five-year term.

Hundreds of millions of dollars of exports and only a few million dollars of imports from China, the balance improved in 1979. Then, the first imports of Chinese oil began, at a rate of some 21,000 b/d. By October, 1979, the trade balance was \$41m in Brazil's favour, with exports of \$102m.

This will increase this year, and the eventual target is \$250m

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## UK NEWS

# State airline critics may face 'discipline'

BY LYNTON MC LAIN

SENIOR STAFF at British Airways said to have sent national newspapers documents disagreeing with airline policy, could be dismissed, the State-owned airline said last night.

The security branch of the airline has started investigations to trace the source of the documents, and "disciplinary action" will certainly be taken against those responsible.

The documents have been sent to the Press and to British Airways' competitors, including Qantas and Air France. The papers contained criticism of British Airways' commercial policies—in particular the move towards lower fares and allegedly lower quality. They also criticised this year's agreement on pay for aircraft cabin crew.

Mr. Roy Watts, the airline's chief executive, told managers before the Whitsun holiday that many of the judgments and conclusions in the documents were reached by "misinterpretation and misinformation".

However, he said he would not start a public argument over anonymous letters written (apparently) by a few staff members who do not have

the courage to put their names to them."

Mr. Watts said that some dissent was inevitable but healthy in a large organisation, especially where the organisation was determined to adapt itself in radical ways.

The airline is attempting to reconcile the difficulties of trying to operate in the growing market for mass air travel, without sacrificing too much of its standards at a time of rapidly rising fuel and wage costs.

The decision to drop first class seats in flights to Europe and replace them with club class (which provide slightly less room) is one of the measures adopted by the airline to cater for the growing number of people who want to travel by air.

But the airline's own forecasts show that the growth in airline passengers is expected to slow this year. Passenger volume is expected to grow this year by 5.2 per cent compared with 14 per cent last year.

Although this growth was impressive by airline standards, it was achieved at almost no profit. British Airways is expected to announce that it just broke even last year because of fuel bills £300m than forecast.

The documents at the centre of the tension which is sapping morale in British Airways have maintained that the decision to remove first class in Europe is the first step towards abandoning it on all routes.

British Airways denies this, and its policy of continuing this type of service has been explained in lengthy video presentations held personally by Mr. Watts with managers, pilots, cabin staff and other airline workers.

Mr. Watts said on Friday that the management style of British Airways was to be "open, frank and responsive".

He said this entailed the disclosure of plans, policies, objectives and results "in much greater detail than in other companies." The airline invited comment, including criticism from staff but he said the anonymous dissent now being voiced deserves scan respect, when it is expressed in ways calculated to damage our airline."

## Support for national Co-op GB group

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A PROPOSAL to form a new national co-operative trading organisation, with retail sales of up to £3.5bn a year, was supported yesterday by delegates to the Co-op Congress meeting in the Isle of Man.

The new trading organisation, to be called Co-op GB, would be formed by the merger of the Co-operative Wholesale Society and the larger retail societies. The idea was first suggested at last year's congress, but the debate late yesterday afternoon was the first time congress delegates had been given an opportunity to discuss the issue.

The vote supporting further moves for "Co-op GB" was only narrowly passed by the congress. This emphasised that the Co-op movement is still split over whether a new national trading organisation is the best method of facing the tougher trading conditions in the High Street. Some retail Co-op societies feel the best course for the 1980s is to emphasise the grass-roots activity of the movement rather than try to compete with the major retail stores groups.

The resolution passed by delegates called on the Co-op Unions' central executive to hold further talks into the Co-op GB proposal. It was revealed during the debate that 37 retail societies—out of a

total of 191—had considered the proposal in the past year. The key to the new organisation, the CWS, has also considered the proposal but has made no decision yet on whether to back the project.

The debate follows a special two-hour report to the congress on the future of the Co-op movement in the 1980s.

The report listed some trading problems facing the Co-op. "Two areas of concern must be its current concentration of trade in market sectors which are likely to experience relative decline and its current low rate of capital investment compared to the dominant multiple retailers."

"Both of these factors will inevitably lead to a further decline in market share in coming years."

### Arthritis cure 'likely soon'

RHEUMATOID ARTHRITIS should soon be conquered, according to the arthritis and rheumatism council. "We are now very close to finding its cause and cure," the council said.

Sir Keith visited Chicago en route for California where he will visit electronics and microbiology companies during the next few days. He visits Washington to make a speech on the UK economy at the end of the week and will then travel to Mexico City for three days.

## Economy turns from stagnation

By John Elliott

BRITAIN IS "beginning the process of turning away from stagnation," Sir Keith Joseph, Industry Secretary, said yesterday at the start of a five-day tour of the USA.

"The relative decline associated with the bindweed of state power, which has afflicted Britain for several decades, is being stemmed," he told an audience of businessmen in Chicago.

"Before very long the thousands of healthy successful businesses will no longer be overcrowded. Britain will be on its way again."

### Reducing

This would be the result of the Government's policy of reducing state interference in industry. "We over-taxed, overspent, over-borrowed, over-rescued, over-regulated, and over-manned. And with all these we overloaded the trading sector with far too heavy a public sector overhead."

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## British Rail fined £10,000 for tunnel death collapse

FINANCIAL TIMES REPORTER

BRITISH RAIL was fined £10,000 yesterday after the collapse of the Permanashiel Tunnel on the main East Coast line.

Lord Mackay said: "The matter is particularly serious because not only were the deceased exposed to risk but so too were others working in the tunnel and those travelling in trains which operated through it when work proceeded."

Mr. James Clyde, QC, for British Rail, said: "The collapse was due primarily to a highly special circumstance—a geological fault or failure over a relatively limited area of the ground above the tunnel."

This fault was unknown and undiscovered until after the collapse and might have remained undetected even with a geological survey.

Lord Mackay, the Lord Advocate, said a freight train passed through the 132-year-old tunnel shortly before the collapse. He said tests had been carried out before works began—but none was concerned with the structural strength and stability of the tunnel and how it might be affected by the work.

The Lord Advocate said BR had information that there were sags and bulges in the tunnel, and one of these was mentioned in a 1968 inspection report.

He added that no qualified geologist appeared to have been involved or any study made before the work began. The two men who died, Gordon Turnbull of St

## Australian billiard table auctioned for £26,000

A BLACKWOOD billiard table, built in the 1870s in Australia, sold for £26,000 at Christie's South Kensington yesterday. The table was sold by a New Zealand couple who found it in the basement of a house they had acquired, and was bought by Mr. Gerald Lawhorn of Georgia in the U.S. The table spent some years on loan to Buckingham Palace and was used by the Prince of Wales, later Edward VII, before it was taken to New Zealand in 1912.

Sotheby Parke-Bernet completed the dispersal of the collection of the late Bernice Chrysler Garisch in Maryland with a record price for an item of American furniture—£107,236 paid for a Chippendale Cuban mahogany kneehole desk, possibly made by Edmund Townsend of Newport, Rhode Island, around 1770. All told, the Garisch sales brought in over £8.7m, a record for any

for an armchair of 1927 designed by Eileen Gray also for the maharajah's palace. All told, his modern furniture brought in £48,420, with another bed in tubular chrome fetching £23,958 and a chaise longue designed by Le Corbusier fetching £13,541.

In the art deco sale a Gallé vase of 1902-4 sold for £39,195 while a Mucha drawing of Sarah Bernhardt, made £15,075,

a record for the artist. The collection of 68 lots of Eileen Gray totalled £175,552.

## SALEROOM

BY ANTONY THORNCROFT

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a record for the artist. The collection of 68 lots of Eileen Gray totalled £175,552.

## Arts cash 'still low priority'

By Richard Evans, Lobby Editor

THE PRIME MINISTER gave a clear hint last night that State patronage for the arts would continue to have a low priority under her administration.

At a Royal Academy banquet in London Mrs. Thatcher said it was impossible to imagine any society in which the arts would be able to dispense with patronage.

There would always be a need for grants and prizes, whether for public or private donors.

"But even though the heights of artistic creation are often attained under a system of patronage, you cannot achieve a renaissance by simply substituting State patronage for private patronage," she said.

What was important was that we should not allow some huge artistic bureaucracy to develop charged with deciding what should or should not be supported, and instructed to ensure that a high level of artistic productivity was maintained, she said.

### Heritage

There had to be some public spending on the arts and on the nation's heritage. At present, this went overwhelmingly to the performance arts; true market prices at the box office would put them beyond the reach of many people.

"Given time, I hope our economic policies will change that, but in the meantime I am sure it is right to support them. Despite the need for economy, the Government had increased spending on the arts, libraries, and museums to £163m this year.

In a restatement of her personal philosophy, Mrs. Thatcher said if a heritage was to be created for the future, a more generous and less envious society must be developed.

Tax laws had grown up in the last generation which had made many artists, from novelists to conductors, into little better than exiles.

But it was not just a matter of taxation, it was a matter of creating an atmosphere in which individual talent could not only survive, but flourish and feel at home.

## Bank cards in electronic sales test

By Michael Lafferty, Banking Correspondent

BARCLAYS BANK will be the first British bank to experiment with electronic methods of payment at the point of sale. The scheme, which starts in the Norwich area next month, will be the first practical application of a debit card in the UK.

From June 2 the 1m holders of Barclays cash cards will be able to pay for petrol and other garage services in the Norwich area through an experimental system known as Counterspeed.

Counterspeed will be available to holders of Barclays cards and most other credit cards which are part of the worldwide Visa club. The service links a garage's cash register to an attachment which reads the magnetic stripe on the back of the plastic cards. The card is passed through the reader by the garage attendant, and a receipt is produced automatically.

The equipment memorises each transaction and, at the end of the day, details are transmitted over a telephone line to Barclays' computer.

## Vintage age on stamp books

THE THIRD set in the Post Office's series of stamp books with illustrated covers will be available from June 25.

The veteran car, featured on the 50p book, again designed by Basil Smith, is a Vauxhall of 1908-09; on the £1 book, Peter Hutton shows Hawker Fury and Handley Page Heyford military planes; and on the £2.10 book Norman Batterhill shows Cornish tin mines.

## World recession 'in early 1980s'

BY JAMES McDONALD

A FORECAST of recession for the world economy in the early 1980s, of recovery to a peak in 1984 in gross national product (GNP), a setback in 1986 and then recovery by most of the major economies later in the 1980s, is made today by Economic Models, the London-based international forecasting group.

The assessment for the economies in the 1980s of Europe, North America and Japan—nine countries together accounting for over 80 per cent of OECD output and trade—is that almost without exception the major economies experiencing a substantial downturn which for some countries will be more severe than the depression in 1929 and 1935.

Growth in world GNP will be stagnant in both 1980 and 1981,

with the U.S. and Canada particularly affected. The U.S. GNP this year is expected to decline by 1.8 per cent.

Economic Models is gloomier about the UK in its last forecast in February, predicting bleak prospects throughout the 1980s. It now estimates that the UK's gross domestic product (GDP) will drop 3.2 per cent this year—as against a 2 per cent decline forecast in February—while the unemployment total of 2m, which in February it did not expect until 1984, will be reached in 1981, with 1.9m out of work by the end of the year. Unemployment is expected to remain above 2m for most of the decade. Inflation in Britain will average 13.9 per cent.

The survey forecasts a 1.5 per cent growth of British GDP in 1982 and a 2.7 per cent growth in 1983, leading to a 5.2 per cent expansion in 1984. Then, after 1985-86, the forecast decline in the North Sea oil

After 1981, the survey forecasts the world economy will move rapidly into recovery, with Europe playing the leading role. "In the U.S., Germany and Italy, 1981 is the low point in growth terms: for all other countries, however, economic growth begins to recover next year."

In aggregate terms, world GNP growth recovers from the 1980 and 1981 recession to peak in 1984. "The next low point in growth terms is in 1988, after which the major economies will on the whole experience higher rates of growth" until the end of the 1980s, with global unemployment gradually falling to just over 6 per cent by then.

## Carlisle invites parents to help State schools

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

THE GOVERNMENT has no objection to parents subsidising books and equipment for schools affected by cuts in public spending, said Mr. Mark Carlisle, Secretary for Education and Science, at the National Association of Head Teachers' conference in Cheltenham yesterday.

Although the result might be

## Signs of recovery in world shipbuilding

BY WILLIAM HALL, SHIPPING CORRESPONDENT

THE WORLD'S shipbuilding industry is recovering from its worst recession since the 1930s.

In the first quarter of this year, 5.4m gross tons of ships were ordered, almost twice the output of the world's shipyards during the same period.

According to Lloyd's Register of Shipping, the tonnage on order rose 2.6m tons gross or 9 per cent in the period to March 30.9m tons. At the end of March 1981, 9.3m gross tons of bulk carriers and 5.3m gross tons of general cargo ships.

The world shipyards' order-book reached a low point in March 1979 of 25.1m gross tons.

Japan leads the way in ordering ships. At the end of March Japanese shipowners had 1.8m gross tons on order, followed by Liberia with 1.3m gross tons, the U.S. with 1.1m gross tons and Brazil with 0.9m gross tons.

Japanese shipyards increased the size of their order-books during the first quarter by a fifth to 11.25m gross tons. Spanish shipyards increased their orders 22 per cent to 1.9m gross tons and Korea increased its order-book by 18 per cent to 1.5m gross tons.

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## UK NEWS

# Tax cut leads Manx drive for prosperity

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

THE Isle of Man yesterday cut its income tax by a halfpenny to 20p in the £. It is the third successive year in which the rate has been cut and brings the island's rate of direct taxation to the same level as that in Jersey and Guernsey.

At the same time higher social security benefits, increased tax allowances, and the abolition of some local rates were announced by Mr. Percy Radcliffe, chairman of the Manx Board of Finance.

In a move that will be watched carefully in Whitehall, he told Tynwald, the island's parliament, that from 1981-82 the Government is to tax social security benefits.

"Under our present system," he said, "it has been possible for some people to have highly-paid seasonal work and be unemployed for the remainder of the year and pay very little income tax, although they might have the same income as another person who works all the year round and is obliged to pay tax on the whole of his income. There is obviously a great disincentive to work."

**APPOINTMENTS**

## Divisional posts at British Aerospace

BRITISH AEROSPACE has appointed three new executive directors at its Manchester division: Mr. K. Edgerton, executive director, marketing; Mr. T. A. House, executive director and deputy divisional technical director; and Mr. M. J. Turner, executive director, administration.

Mr. Kevin C. McCourt has been appointed chairman of REED STENHOUSE, the Irish subsidiary of the Reed Stenhouse insurance broking group. Mr. McCourt is chairman and executive director of Irish Steel, the state-sponsored steelmaker.

At ROSENTHAL INTERNATIONAL, Ms. Sivie Heer has been appointed vice-president in charge of credit and operations. She joined RIL in April after 12 years with Credit Suisse.

Sir Kirby Laing, deputy chairman of JOHN LAING, parent company of the John Laing Group, is to retire from the Board on his 64th birthday in July after 43 years' service. His post as deputy chairman will be taken over by Mr. Geoffrey Parsons, who retains his present appointment as chief executive.

Mr. James Stark has been appointed a director of YARD, a wholly-owned subsidiary of Yarrow and Co.

Mr. D. J. Ferns has been appointed deputy regional general manager of the City of London regional head office of LLOYDS BANK.

Mr. J. Donnachie, works director, Harlesden factory, has been appointed managing director of HAROLD WESLEY.

## SNIA VISCOSA ANNUAL GENERAL MEETING

With extraordinary session held on

30 APRIL 1980

The company's annual general meeting, followed by an extraordinary session, was held under the chairmanship of Luigi Santa Maria. Company sales amounted to Lire 764bn, an increase of 8.4 per cent. Aggregate sales, including those of Italian and foreign subsidiaries and associates, totalled Lire 1,597bn, an increase of 17.5 per cent.

The net loss of Lire 32bn was made good by halving the par value of the shares. In the course of the discussion the chairman elucidated the causes of the loss, due almost exclusively to the man-made fibre crisis, and explained how the implementation of the restructuring plan, submitted to the extraordinary meeting, would enable Snia to regain its former strength, backed as it is by its human assets and rich stock of patents, resulting from its scientific research.

The chairman then spoke of the hiving-off of the principal sectors of Snia's business (man-made fibres, textile processing, chemicals, defence and aerospace) to separate 100 per cent subsidiaries. Lastly he explained why the leading Italian companies, taking advantage of a GATT rule, directly applicable to Italy, have asked for a ban on man-made fibre imports from the USA.

In the first four months of the current year sales amounted to Lire 262bn compared with Lire 156bn in the same period of 1979.

The shareholders unanimously adopted the directors' report, the balance sheet and profit and loss account.

Regarding appointments, the new board of directors is made up of: Alfredo Ambrosetti, Antonio Belloni, Giuseppe Bencini, Gino Cerlani, Mario Lanfranchi, Luigi Lucchini, Pietro Marzotto, Luigi Mazzoni, Carlo Pasendi, Alberto Predieri, Cesare Romiti, Antonio Schiattà and Mario Valente. Mario. The shareholders appointed the new board of auditors, Luigi Santa Maria was then acclaimed honorary chairman of the company amid long applause.

At the extraordinary session the shareholders approved the industrial restructuring programme based on the following points:

1) Increase of the share capital by Lire 104bn, after its reduction to cover the year's loss (with a consequent reduction of the capital to service the Mediobanca 7% 1975/1988 convertible bonded loan from Lire 53.4bn to Lire 19.8bn, after allowing for redemptions and conversions that have taken place in the meantime), through the issue of ordinary shares offered at par to the shareholders and to holders of the Mediobanca 7% Special Snia Viscosa 1973/1988 series convertible bonds. Negotiations are proceeding for the creation of a consortium of banks to intervene under Law 787, should all the shares not be taken up.

2) Increase of the share capital by Lire 52.1bn through the issue, in one or more tranches, of 52,145,804 ordinary shares of Lire 1,000 each, reserved for subscribers of the new Mediobanca Special Snia Viscosa Series 13% 1980/1990 convertible bonded loan, in its turn to be offered to Snia Viscosa shareholders and to holders of Mediobanca 7% Special Snia Viscosa 1973/1988 convertible bonds.

3) Consolidation of debts under the terms of the financial restructuring Law 787, namely Lire 162bn due to banks as follows: Lire 80bn short term, Lire 51bn medium term maturing in the period 1979/1981 and Lire 31bn interest.

4) Continuation of the programme of disposing of property and holdings not considered essential to company business.

The directors later appointed Pietro Marzotto chairman of the board and Antonio Belloni and Giuseppe Bencini vice chairmen.

SNIA

## Fewer tourists and rising costs push B & I into loss

BY WILLIAM HALL, SHIPPING CORRESPONDENT

AFTER five years of uninterrupted profit growth, the Irish Government-controlled British and Irish Steam Packet Company lost £1.1m last year.

The company was hard hit by

labour unrest in the UK, a fall

in Irish tourist traffic and soaring fuel prices. In addition, its

interest charges were more

than doubled.

Last year the group's turnover

rose by a sixth to £149m.

Trading profits fell from

£22.5m to £9.8m, and the

group's net loss of £1.1m com-

pared with a profit of £1.4m in

1978.

B & I estimates that it lost

£12.3m because of industrial

problems, mainly in the UK. Its

freight services were paralysed

for 109 days and because of the

continuing labour unrest, prin-

cipally on Merseyside, it had to

withdraw its Liverpool Ro-Ro

service.

It has replaced its Liverpool

service with a new Ro-Ro opera-

tion between Fleetwood and

Dublin. However, its Liverpool-Dublin car-ferry service con-

tinues to generate substantial

revenue.

The company carried 780,000

passengers on its nine ferries

last year—an increase of 3 per

cent on 1978. However, the

number of cars carried fell

slightly to 132,100 and the

volume of freight fell by 6 per

cent to 1.39m tonnes.

According to the company,

tourist numbers from the UK

fell by nearly 3 per cent due to

communications difficulties and

adverse publicity about petrol

shortages.

Last year B & I introduced

two new ferries, MV Connacht

and MV Tipperary, and a third

ferry will be introduced next

year. In May 1979 a new service

between Pembroke Dock and

Cork was inaugurated and

another service between Ross-

lage and Pembroke began this

month.

The company started a Jetfoil

service between Liverpool and

Dublin last month and is seriously

considering exercising its option

to purchase a second Jetfoil.

## UK tops German wine exports

By DAVID CHURCHILL,  
Consumer Affairs Correspondent

BRITAIN HAS become the leading export market for German wine, according to export statistics published by the German Wine Institute in Mainz. The statistics show German wine exports to the UK rose just over 45 per cent in 1979 to 456,000 hectolitres (about 10m gallons). The UK overtook the US as the leading export market for German wine. Exports to the US fell 29 per cent to 413,500 hectolitres.

But the institute expects exports to the US to recover by the end of this year and the US to return to its position at the top of the export league table.

The growing popularity of German wine in the UK has made it the fastest growing sector of the wine market. A £250,000 advertising campaign is about to be launched for a new premium quality Liebfraumilch called "Mice Tower." GK Wine Brokers, which will handle the UK marketing and distribution, hopes to win some 10 per cent of the UK market over the next 18 months.

A NOP market survey indicates that wine is the most popular drink sampled at home. The nearly 2,000 adults surveyed showed a slight preference for wine over sherry. German wine was rated the most popular country of origin for wines, followed by France and Spain.

The survey surprisingly reveals that the number of Scots who drink whisky is below the national average and Scotland tops the regional list of people abstaining from alcohol.

## Air holidays set profits record

By LYNTON McLAIN

THE TOP 30 air travel companies in Britain made a record net profit of £37.3m last year, a rise of 6 per cent compared with 1978.

Turnover was £695.4m—up 31 per cent on the previous year. The Civil Aviation Authority, which gave the net figures yesterday, said the net profit of 5.4 per cent of turnover in 1978 reflected the rapid growth, in that year, of international air travel, which was largely a result of moves by airlines to reduce fares.

The Civil Aviation Authority has so far this year authorised Britain's air travel organisers to offer for sale more than 8.1m air holidays in the 12 months to Christmas. The total number of air holidays has increased by nearly 3m a year for each of the past three years.

## 'Asset-stripping' claim over oil revenue

By RAY PERMAN, SCOTTISH CORRESPONDENT

THE GOVERNMENT was yesterday accused of blatant asset stripping in failing to invest oil revenues in manufacturing industry. By Mr. Peter Balfour, chairman of the Scottish Council for Development and Industry.

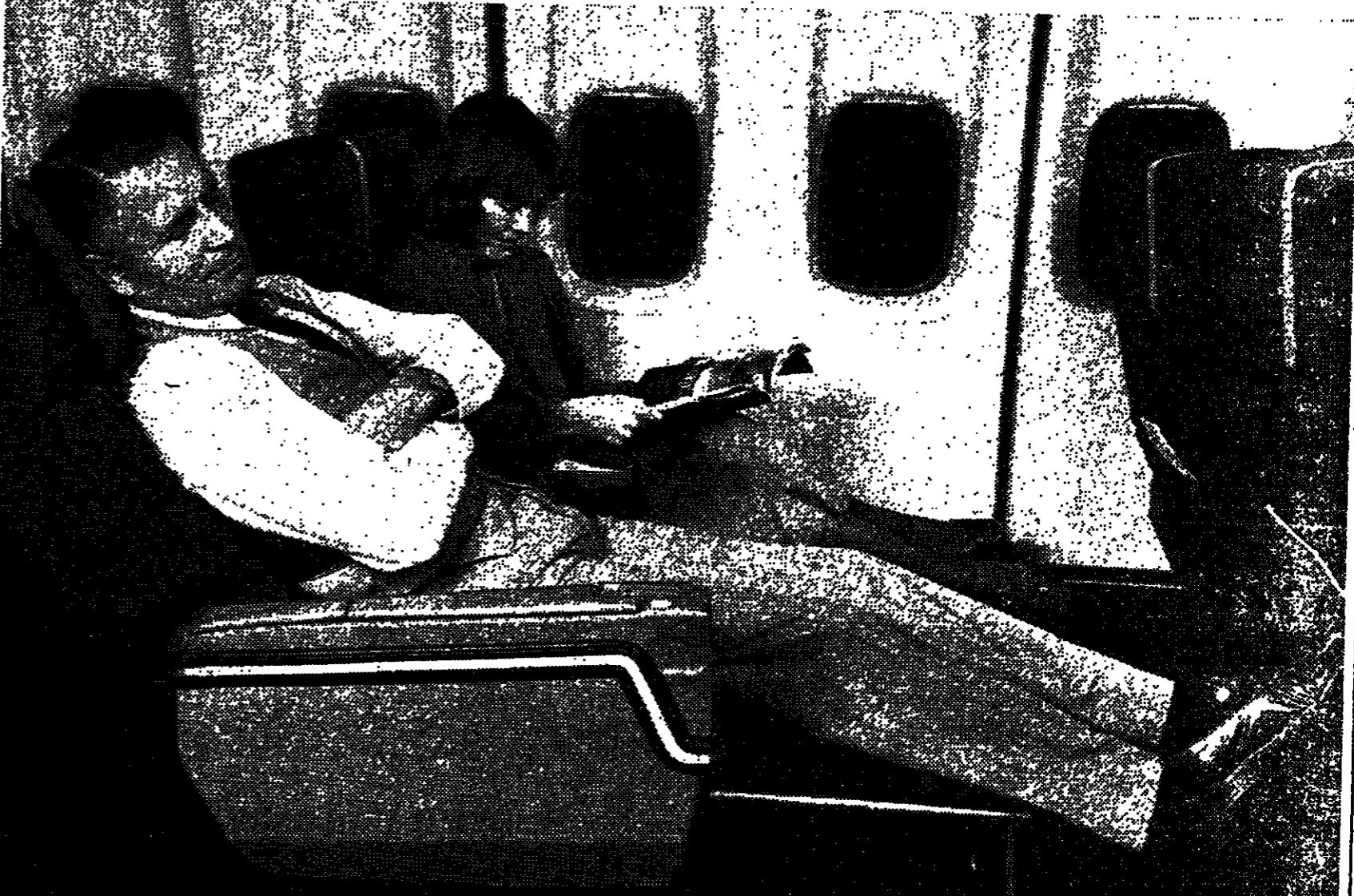
He deplored the continued disappearance of revenues from the North Sea into the "cavernous maw" of the Treasury.

I am not totally convinced that the Government has thought beyond the immediate problem of getting us out of debt. Not a bad short-term objective, but

one that could not abrogate responsibility for major setbacks to regional development such as the impending closure of Wiggins Teape's pulp mill at Fort William, he said.

State subsidies had played a part in the original investment at the mill and the effect of oil revenues on sterling had meant its output was no longer able to compete on price with imported pulp.

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the flight—you'll be there before you know it. And you'll arrive fresh and rested in the USA ready for all our great country has to offer.

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TWA

## UK NEWS

# Big-spending councils face cut in grant

BY ROBIN PAULEY

THE GOVERNMENT has compiled a confidential list of 21 local authorities in England and Wales which it will penalise for overspending unless they can show special circumstances worthy of a reprieve.

The authorities are all Labour controlled, except Hammersmith and Fulham, which has a Liberal-Tory coalition, and Wandsworth, which is Tory.

Wandsworth is certain to be exempted from penalties because of its previous attempts to cut spending and manpower have impressed Ministers who use it as an example of what ought to be happening up and down the country.

A final decision on the scale of penalties is imminent but will await final checks by civil servants to uncover any mitigating circumstances.

The penalties will take the form of withholding part of a future Government grant. How much is withheld will depend on the degree of overspending.

Penalised authorities will be forced to increase their rates to make up the shortfall or to cut services and reduce spending.

Mr Michael Heseltine, Environment Secretary, said in November that authorities on what he calls the "baddies" list would be exempted if spending had been reduced significantly in real terms or if unexpected expenditure had been incurred—for example because of flooding.

The list has been compiled on the basis of the notional uniform rate of 119p in the pound set by the government

## RATE IN THE POUND AFTER ADJUSTMENT BY ENVIRONMENT DEPARTMENT FORMULA

	P	Newcastle	P	Newham	P
Camden	246	Newcastle	178	Newham	158
Brent	231	Hammersmith/	178	Greenwich	157
Southwark	216	Fulham	166	Afan	156.75
Tower Hamlets	209	Swansea	165	Doncaster	156.7
Lambeth	208	Brent	162	Wandsworth	156.3
Haringey	190	Walton Forest	159	Hounslow	156.1
Hackney	189	Manchester	159	Sheffield	156
Lewisham	181				

lost November.

This is the rate which authorities would need to levy, after taking account of government grants, to raise just enough to cover their spending needs as assessed by the Environment Department.

Anything over this could be regarded as overspending.

In fact, more than 150 authorities have a rate above the 119p figure, and the threshold set to catch the worst is 156p, which allows for overspending of more than 30 per cent above the notional figure before penalties begin.

The figures in the list vary from the actual basic rate levied by authorities for 1980-81. This is because the Environment Department's formula has allowed for differences in circumstances between London and the rest of the country and for differences between types of government grant.

These penalties will apply only this year while the Government changes from the old system of rate support grant to the new block grant system, which will operate from 1981-82 onwards.

The new system, embodied in

the Local Government Planning and Land Bill now passing through Parliament, will ensure that Government grants are automatically reduced once an authority's spending exceeds prescribed levels.

Any further expenditure would have to be paid for with money raised exclusively from ratepayers.

Mr Heseltine always said he hoped he would not have to penalise any authority this year and that only a handful, "maximum 20," would suffer in any event.

But many rates for 1980-81 were far higher than he had hoped and the Government's campaign to persuade local authorities to cut manpower levels has so far been an almost total failure.

Mr Heseltine has admitted that there would be an element of rough justice in the penalties.

Because of the way the list is calculated, no penalty will be levied against authorities which increase their rates by very large percentages if that increase figure far enough up the list of overspenders.

# 'It's union against union' at the Isle of Grain

BY JOHN LLOYD, LABOUR CORRESPONDENT

AT ABOUT 7.30 yesterday morning, the first coach bearing jeering pickets headed back (and outnumbered) by Kent constables.

Inside, in company with the workers, a number of pressmen and an ITN film crew, sat two fellow senior trade unionists.

Mr John Baldwin, general secretary of the AUEW's construction section, and Mr Eric Hammond, an executive councillor of the Electrical, Electronic Telecommunications and Plumbing Union.

"If this is modern trade unionism then I want no part of it," said Mr Baldwin. "This gives all our critics evidence of the ugly side of unions."

"Either Frank Earl is a fool or he's unfit to be a trade union official," said Mr Hammond.

The fierce animosity evident between the senior officials found its counterpart in the lines. Pressed back on to a narrow pavement by some 300 policemen, about 350 pickets erupted into sporadic anger as coaches and vans crawled through the tunnel created by the police.

"John Baldwin isn't a trade unionist," he said. "Any person who goes on and crosses picket lines here today can't call himself a trade unionist."

Mr Hammond, sitting a few feet from Mr Earl, retorted: "We're thinking about the jobs here on this site."

"You're naive if you think you're saving jobs," said Mr Earl.

"We're stay naive," snapped back Mr Hammond. "We're trying to save an industry here. We're going through."

Later, as other buses followed the first, Mr Earl stood back from the pickets and said: "It's union against union. I'm very angry and disgusted that colleagues should do this. It's the worst I've ever seen."

Later still, with most of the workers through the picket lines, Mr Baldwin and Mr Hammond stood inside the perimeter fence. They showed off a sizeable rock which they claimed had been thrown through a window—the pickets allege it was thrown by a policeman—and talked of a victory for sensible trade unionism."



Police remove a picket at the Isle of Grain.

Terry Kirk

## The parameters of the problem are constant

John Lloyd examines the background to the dispute

IT IS AS well to remember that when the Isle of Grain power station—Europe's largest construction site, which is expected to cost £560m—was closed by a strike last August, it was not the liggers who stopped it. Nor are they doing so now—though they are trying.

The unrelated dispute (involving scaffolders) did, however, throw up two problems which concerned the liggers. First, Cape, Darlington and

Newall, the employing firm, informed the 27 liggers who had been laid off that they would not all be needed when work restarted. The union stewards, Mr Phil Kelleher and Mr Malcolm Collar, decided on a "one out, all out" approach, and stayed out.

More importantly, the contractor was under pressure to change the high, open-ended bonus scheme for a lower rate more in tune with rates earned by other skilled men on the site. This aim was shared by the other skilled workers' unions, mainly the Amalgamated Union of Engineering Workers' construction section and the Electrical, Electronic Telecommunications and Plumbing Union.

The parameters of the problem have remained constant since. The Grain liggers, supported by their union, the General and Municipal Workers' Union, have refused to

return for less bonus. The TUC and chaired by Mr Len Murray, its general secretary—will have any success in doing so. Only the GMWU is likely to turn up.

Mr Baldwin said yesterday he had "called it off". Mr Basnett reported that Mr Baldwin could not call off TUC meetings.

Still, unless the GMWU calls off its pickets (Mr Basnett says they won't), and shows itself willing to discuss a new bonus system (it won't), Mr Baldwin was convinced that only Mr Basnett, Mr Frank Earl, his national officer, and Mr Murray will be there.

A meeting of GMWU delegates called for tomorrow to discuss Grain will be better attended. There, judging by the mood of the pickets and officials yesterday, the union's militant mood is likely to be underscored.

Two elements suggest some hope, though they lie far in the

future.

First, the Central Electricity Generating Board has made it clear both that it will shut down the site if lagging continues recur, and that it does want the site—preferably all five units on it—because it will burn expensive oil more efficiently than its older oil-fired stations.

Mr Glyn England, CECB chairman, speaking at the EETPU conference in Eastbourne last week, talked of Grain being a last chance for the British construction industry.

Second, talks between unions and employers on a new national site agreement have been continuing and according to some participants, are going well.

Mr Eric Hammond, of the EETPU, talked encouragingly last week of agreement in the latter part of the year—one which would obviate hopefully future Grains.

Progress Report 1979  
Hessische Landesbank -Girozentrale-

## Another year on course



term lending. The Bank's services are tailored for large domestic and international corporations, foreign governments and financial institutions, and it also acts as a banker to the State of Hesse and performs clearing functions and other centralized services for Hesse's 52 Sparkassen.

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For a copy of our 1979 Annual Report or further information, please get in touch with:

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-Girozentrale-  
Junghofstrasse 18-26  
D-6000 Frankfurt/Main  
Telephone: (0611) 132-2192  
Telex: 0415291-45

### Financial Highlights

December 31	1977	1978	1979	DM million
Business Volume	44,356	46,974	51,843	
Balance sheet total	42,610	45,032	49,150	
Total credit volume	34,214	36,212	41,420	
Short-term assets	8,704	9,630	10,133	
Due from banks	7,244	8,062	7,700	
Due from customers	1,460	1,568	2,433	
Long-term lending	22,060	23,359	25,865	
Lending to banks	2,511	3,090	3,719	
Lending to customers	19,549	20,269	22,146	
Trustee business	5,292	5,449	5,974	
Short-term liabilities	8,987	10,201	10,312	
Long-term liabilities	4,069	5,476	6,847	
Bonds issued	19,989	19,485	21,248	
Capital and reserves	871	936	1,086	

**Helaba Frankfurt**  
Hessische Landesbank -Girozentrale-

## Kreditanstalt für Wiederaufbau

Wesentliche Bilanzzahlen zum 31.12.1979

Aktiva	in Mio DM	Passiva	in Mio DM
Barreserve u. Bankguthaben	1.094	Verbindlichkeiten aus dem Bankgeschäft	27.668
Wertpapiere	252	Solawechsel	730
Kredite		Schuldverschreibungen	2.788
an Kreditinstitute zur Weiterleitung	17.558	Rückstellungen	104
unmittelbar gewährt	13.930	Grundkapital	1.000
Beteiligungen	153	Rücklagen	1.277
Grundstücke und Gebäude	21	Durchlaufende Kredite	16.029
Nicht eingezahltes Kapital	850	Restliche Aktiva	353
Durchlaufende Kredite	16.029	Bilanzsumme	50.240
Restliche Aktiva	353		
		Bilanzsumme	50.240

Der Jahresabschluß trägt den uneingeschränkten Bestätigungsvermerk des Abschlußprüfers. Die vollständige Bilanz wird im Bundesanzeiger veröffentlicht. Den Geschäftsbericht senden wir Ihnen gern zu.

**KfW Kreditanstalt für Wiederaufbau**

Palmengartenstraße 5-9  
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مكتاب من الأصل

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And to the man or woman who finds that an exaggeration, we would say this.

Name one other thing you buy that you trust with so much—not just now and again, but 365 days a year, in all weathers, all road conditions, often at very high speed.

You can be an excellent driver. Your anticipation can be superb, your reflexes like lightning.

Your steering, suspension and brakes can all work perfectly.

And your tyres can still kill you, and everyone you hold dear.

We'd add this. Firestone is the second-largest tyre company in the world. Every

year we spend millions on research and development.

If we don't tell people what we're doing, and tell them in a sensible, down-to-earth way, they'll never know what an enormous amount of skill and care goes into a product like the S-211.

And how much more, as a result, it offers.

When we talk to the public in our advertising, we talk seriously, and we talk facts. When our colleagues in the trade talk about the S-211 for us, we like them to do the same.

We tell motorists that the Firestone research and design team were given the toughest brief imaginable — to come up with a tyre that would out-perform the best tyres on the market. The Goodyear



Grand Prix S. The Michelin XZX. The Pirelli P3. The Dunlop SP4.

We tell them the S-211's straighter sidewalls give them outstanding handling and lighter, more positive steering.

We tell them the S-211 is the safest tyre you can have on a family car in the wet.

We tell them that our own—and independent—tests prove the S-211 not only grips superbly, but goes on gripping when the competition is aquaplaning.

We sell our tyres as if their life depended on it.

**Firestone**  
**S-211 Steel Radial**

## UK NEWS - LABOUR

## Agricultural interim claim turned down

By Pauline Clark, Labour Staff

THE Agricultural Wages Board yesterday turned down a claim by farmworkers' union leaders for an interim pay increase after employers' leaders condemned the demand as "totally unacceptable."

The claim, for an unspecified increase to compensate for the effects of inflation on a recent national wage increase to Britain's 300,000 farm workers, was presented by Mr. Jack Boddy, general secretary of the National Union of Agricultural and Allied Workers.

The farmworkers received an average 21 per cent pay rise last January. But farmworkers argue that they are particularly hard hit by public spending cuts affecting school meals, school transport and other services.

The move for more money for farmworkers, whose average basic pay went up by £10 to £58 for a 40-hour week this year, was prompted by an interim award of £3.25 a week for Scottish farmworkers from next month.

Mr. Simon Gourlay, chairman of the National Farmers' Union employers' committee, said that farmers "fully shared" their employees' worries about the effects of inflation but a further increase on top of last January's award was totally unacceptable.

He said farmers could not afford the rise after two years in which income in cash terms had increased nearly 9 per cent or 29 per cent in real terms.

## Post Office engineers reject 'maximum' offer

BY NICK GARNETT, LABOUR STAFF

POST OFFICE engineers have rejected an annual wage offer which the corporation says is the maximum it is prepared to make.

Officials of the Post Office Engineering Union are now discussing with those of the Society of Post Office Executives what further steps to take in pursuing their claim.

The society, representing the supervisors, has rejected the corporation's offer to its engineers.

Negotiators for the POEU, with 126,000 members, are seeking a pay rise for its posts members.

The Post Office has made two sets of pay proposals to engineers and supervisors in tele-

communications. One gives a 15 per cent increase on all rates from July 1, the settlement date, together with a further 2 per cent as continuation of last year's productivity bonus.

The alternative provides for a 14 per cent increase on all rates from July 1, the 2 per cent productivity bonus and a further 3 per cent on all rates from April 1, next year.

The offer in overall terms is similar to that agreed by the UPW for its posts members.

The POEU, however, is seek-

ing a rise of about 23 per cent in line with the expected inflation rate next month, together with a new productivity scheme.

The annual UPW conference last week instructed its negotiators to seek a similar rise for its telecommunications members, who are also due to settle in July.

The Post Office's pay offer is separate to proposals to all its telecommunication unions for a common wage structure.

Leaders of the Post Office group executive of the Society

of Civil and Public Servants has agreed specific proposals on this giving increases of up to 25 per cent outside the normal wage settlement for its members.

The UPW conference declined to make any decision for the moment on the issue of common pay bargaining which will now almost certainly go to a special conference.

The POEU has agreed to common pay bargaining in principle but has rejected the specific proposals put to it by management.

## Government attitude to TUC endorsed

By Philip Bassett, Labour Staff

THE GOVERNMENT is right to leave the TUC out of decision-making, Sir John Boyd, general secretary of the Amalgamated Union of Engineering Workers, said last night.

Sir John, a leading TUC moderate, said that leadership was a responsibility the Government could not share or delegate.

The Government should consult the trade unions, but the responsibility of taking decisions should rest with no one other than the elected leadership of the country.

He admitted that few trade union leaders on the TUC General Council were likely to share his views. His statement is likely to increase friction in the General Council over the TUC's role in government.

Speaking on BBC-TV's Platform programme, Sir John said that he was "not the least bit perturbed" about the present distance in the relationship between the TUC and the Government.

A Conservative Government could not be expected to operate Socialist policies, and while he would like the TUC to be consulted more often, he did not want to share government with the Tories.

He thought the "vast majority" of the TUC's 12m affiliated members were unhappy and very fearful about the way the country was being run, but he agreed that they were "not fearless enough" to demonstrate in protest over a pay dispute.

The workers, members of the Transport and General Workers' Union, have rejected a pay offer of 21-23 per cent.

Servisair spokesman Mr. Norman Edwards said yesterday: "We are due to handle 28 aircraft up to midnight, some of which can be handled without assistance.

The company handles about half the aircraft using Ringway, British Airways is the other main handler, but is not affected by the dispute.

The majority of passengers due to my out of Luton airport yesterday were again transferred to Stansted because of industrial action by ground workers over pay.

The dispute, which has involved about 300 workers, including baggage handlers and security staff, follows a report by the Clegg comparability commission into municipal airport workers' pay.

The report awarded substantial pay increases but left individual unions and management to fix the grading of specific jobs into new pay grades specified in the report.

## MacGregor hints at more steel job losses

By Alan Vile

MR. IAN MACGREGOR, chairman-designate of the British Steel Corporation, yesterday urged employees to face the facts about their industry, as union leaders and Labour MPs attacked suggestions that redundancies might have to be accelerated.

"We are looking for the opportunity for the employment of the maximum number of people. But it would be a cruel hoax to maintain people in jobs that may be destined to disappear because they cannot meet market demands," Mr. MacGregor said during a visit to the Shotton works, North Wales.

Mr. MacGregor said he wanted to inject realism into the industry. Employees had to look at the facts and not at an element of fantasy.

During a visit to the Port Talbot works on Monday, Mr. MacGregor suggested that there might be a need to speed up BSC plans to shed some 50,000 workers. He commented at Shotton yesterday that plans made by BSC a few months ago might not now meet customer requirements.

Mr. MacGregor says no new decisions on cutbacks in BSC will be made until he has concluded a fact-finding study. His comments have dismayed union leaders. They had hoped the new chairman would put the closure programme on ice while they had further discussions with him.

Leaders of the Iron and Steel Trades Confederation, the industry's largest union, are preparing an alternative strategy for BSC which they will send to Mr. MacGregor next month. This will argue that there is a case for growth rather than contraction in the corporation based upon a much more aggressive sales and marketing policy.

Mr. MacGregor rejected suggestions that he should have met union leaders before commenting on the future of the industry.

## Schools disruption continues

BY PHILIP BASSETT, LABOUR STAFF

STRIKES by Scottish teachers continued yesterday, with nearly 8,000 staff starting another three-day stoppage.

Worse disruption is expected today when members of the second largest teaching union, the Scottish Secondary Teachers Association, hold a one-day, all-out strike.

Yesterday, almost 250,000 pupils were being affected by the second week running by action by members of the Educational Institute of Scotland and the National Association of Schoolmasters Union of Women Teachers.

Action is being stepped up this week in the areas where Mr. George Younger, Scottish Secretary, and Mr. Alex Fletcher, Scottish Office Minister for Industry and Education, are MPs—Ayr and Edinburgh North.

The executive of the EIS—the largest teaching union in Scotland—is to hold an emergency meeting today to examine proposals for long-term action.

The strike action, which this week will affect more than 250 schools, comes after teachers rejected a 14 per cent pay offer

## Problems in economy 'encourage poor industrial relations climate'

BY PHILIP BASSETT, LABOUR STAFF

BRITAIN'S POOR economic performance is creating an unfavourable industrial relations climate, Mr. Jim Mortimer, chief conciliation officer, said yesterday.

Mr. Mortimer, introducing in London the service's fifth annual report, said all the indicators of economic performance were pointing in the wrong direction. "We do not believe this is a favourable environment for industrial relations."

He said: "Many of our industrial relations problems exist, in my view, because of the underlying economic problems of our society."

Industrial relations were strongly influenced by the economic environment. Rising living standards depended on industrial and commercial growth.

"But there is no growth in our economy; instead there is contraction." The present high rate of inflation, rising unemployment and the large balance of payments deficit were three factors helping to create a poor industrial relations climate.

ACAS also pointed to the

impact of the return of free collective bargaining on industrial relations. Mr. Andy Kerr, the movement away from pay policy restraints had contributed to both the incidence and length of recent disputes, including the ITV and engineering strikes last year and the 12-week steel strike this year.

Mr. Kerr, who took a major part in the service's repeated efforts to end the steel strike, said ACAS was surprised at the length of the dispute. A higher pay offer tabled earlier might well have improved the atmosphere markedly, and there were also later differences between the unions involved.

Few ACAS officials are likely to regret the ending of the service's statutory duty to deal with union recognition claims, which will be repealed when the Employment Bill becomes law.

The annual report for 1978 points to "an increasing number of cases in which delay and non-co-operation by one of the parties is effectively preventing the service from carrying out its statutory duties."

About 90 of the 338 recognition cases being dealt with at the end of the period covered by the report fell into this category. In half of these cases ACAS has received "either an outright refusal to co-operate or only partial co-operation, and in the remaining cases has encountered various forms of prevarication or delay."

The report acknowledges that one of the most frequent problems is a lengthy discussion with employers who question the neutrality of the service's proposed recognition questionnaire or its ability to ascertain properly employee's opinions.

ACAS has had four years experience of the statutory recognition procedures, involving 1,542 recognition references. Settlements of most of the references meant that by the end of 1979 collective bargaining had been extended to cover 62,000 workers as a direct result of the legislation.

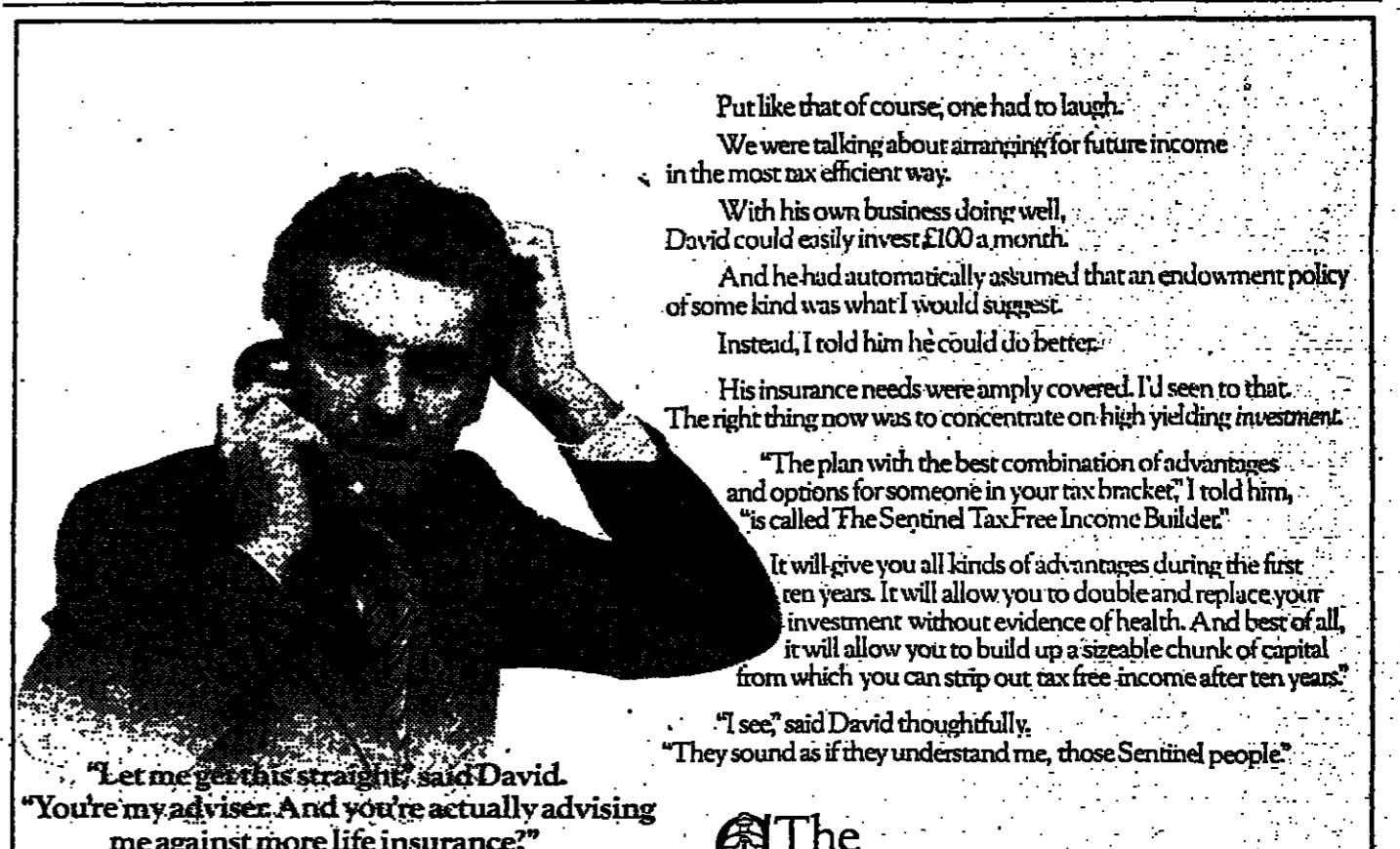
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The report awarded substantial pay increases but left individual unions and management to fix the grading of specific jobs into new pay grades specified in the report.

ALCOHOL TESTS on motorists should be carried out at random, says the National Council on Alcoholism.

The council, commenting on the Ministry of Transport's consultative document on drinking and driving, said the Government should contemplate random tests as the most effective way of enforcing the drink-driving law.



Put like that of course, one had to laugh.

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From June 1st, Abbey National are stepping up the interest rates on Open Bondshares. The One-Year Rate becomes 11%, the Two-Year Rate 11.25%. So Open Bondshares now offer yet another substantial advantage over comparable schemes. No wonder Abbey National Open Bondshares have been such a huge success with investors. In just one year of existence, over £525 million has been invested!

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Bondshare Interest can be paid half yearly or monthly. So you can enjoy a monthly income or, if you choose, your monthly interest can be paid direct into an Abbey National Share Account for you, and enjoy Share Account interest. So with Abbey National you can get interest on your interest! The compounding effect of this Abbey bonus can raise the real rate you can get from a Bondshare scheme to as high as 13% on your original investment—the equivalent of 18.57% gross.\*

### More choice and flexibility

1. You need only invest for one year.  
Invest for anything from one to five

years or more. Whatever suits your circumstances. The table shows the rate you'll enjoy. So you could take your money and interest out after just one year or leave it in to grow at only three months' notice. These rates may vary but the formula is different below. Normal share rate is guaranteed 1 year 5.0%; 2 year 6.75%; 3 year 10%; 4 year 11.5%; 5 year 12.0%.

2. You don't have to start again. Once you reach the maximum interest rate—after five years—you can stay on it as long as you stay in the scheme.

3. Get maximum rate from year 1. If you agree to save for longer than one year, you'll get the appropriate interest rate immediately. So that if you agree to save for five years, your investment goes straight on to that maximum rate.

4. No need to tie up your capital. Once you complete your term, you can leave your money gaining its highest interest at just three months' notice.

Abbey National Building Society,  
27 Baker Street, London W1M 2AA

# Family Favourite-



## Peugeot 504 Family Estate

The Peugeot 504 Family Estate is the favourite for all the family. Because with its *three rows of forward-facing seats* it's the sumptuous solution to your transport problems.

The cloth-upholstered seats are deep and comfortable, because more comfort for the family and their friends means a more relaxed atmosphere for the driver, and a safer journey for everyone.

The 504 Family is big, comfortable and simplicity itself to drive, with power-assisted steering to make light work of town traffic and parking. The rally-proven 1971 cc engine is as smooth as it is powerful, and gives the Family a top speed of 101 mph.

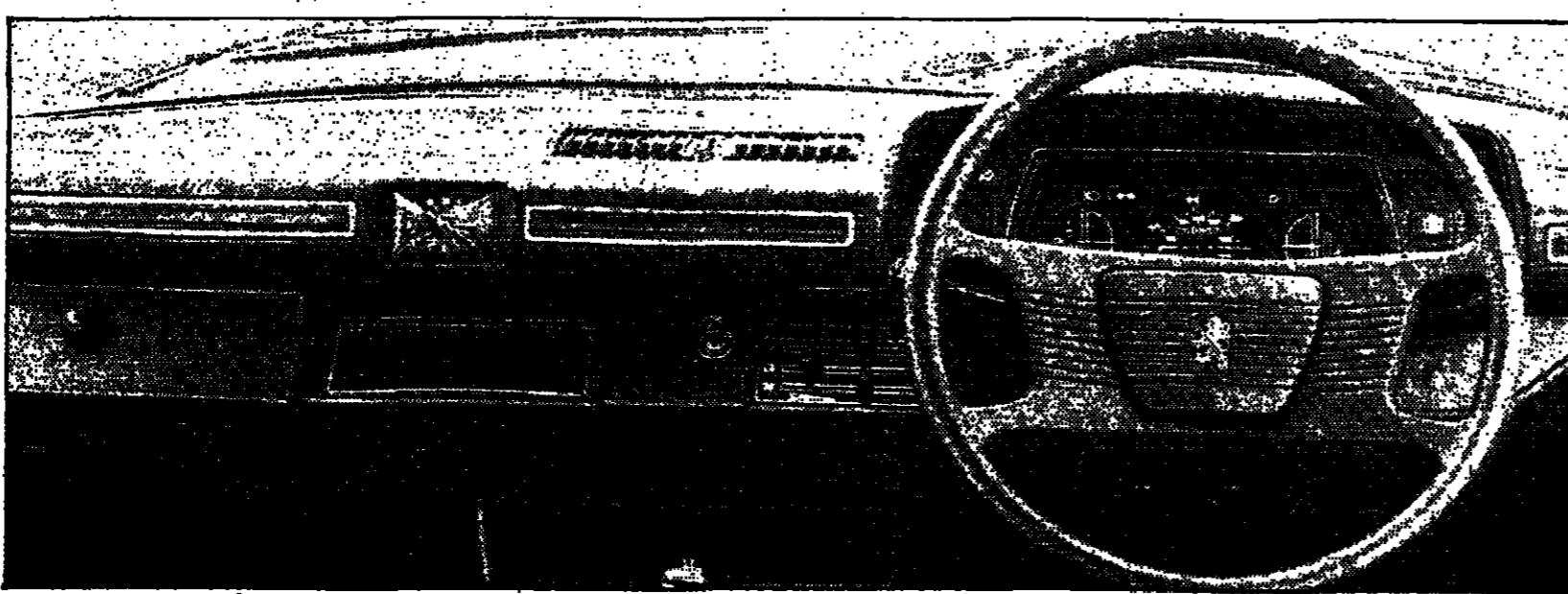
Above all, the 504 Family is a really practical car. The wide-opening doors mean easy access, and childproof locks built into the rear doors mean your children won't get out unless you want them to. And because there's real space in both the rear rows of seats, the Peugeot Family is as popular with your friends and business associates as it is with your family. Even with eight people and their luggage, the 504 Family will still give



Three rows of forward facing seats (Front seat head restraints not shown).

you a superb ride—thanks to the extra-long wheelbase and the specially developed suspension system.

If you're towing a boat, caravan or horsebox, the 504 Family has the power to cope with a load of up to 1½ tons (1500 kg). And remember there's also a diesel version, to give you the same passenger comfort advantages and the same Peugeot reliability with extra economy. On the continent, of course, diesel can save you over 40 per cent of your fuel bills, and that's before you take into account a fuel consumption figure of 37 mpg.\* Instead of making the family fit the car, we've made the car to fit the family. But with all that style and comfort, the 504 is still totally practical. Even with the third row of



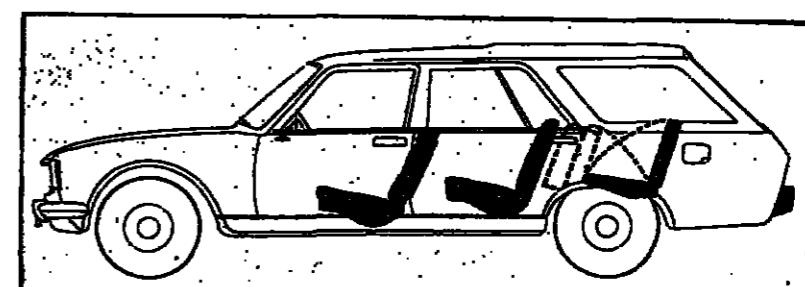
seats in use, there's still 15 cu ft of space for luggage (with the spare wheel stowed under the boot floor). And when you don't need that third row of seats, fold it down for 34 cubic feet of space.

With more than a million cars sold throughout Europe, the Peugeot 504 has been proved to be as rugged as it is elegant. That's because it's been built to last, using the finest materials available. To back this, there's a twelve-month unlimited mileage warranty, which we offer confidently, thanks to our detailed quality control procedures. (One in eight of all factory staff are engaged exclusively on quality control.) Peugeot strength also means main services only once every 10,000 miles\*\*—so your car stays on the road, not in the service bay.

The 504 Estate range also includes other large-capacity hard-working estates, with diesel or petrol power. So if you don't need the sophistication of the Family, you'll still find a 504 to suit you.

But if you do need space, style and comfort to spare, then the 504 Family is the car for you. Why not take the family for a test run today?

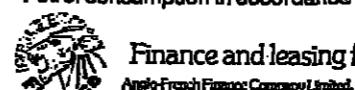
\*Diesel service intervals: 6000 miles



Fuel consumption

	at a constant 56 mph (90 km/h)	at a constant 75 mph (120 km/h)	urban driving
Family Estate —manual	35.7 mpg (17.9L/100 km)	26.4 mpg (10.7L/100 km)	21.5 mpg (13.1L/100 km)
—automatic	31.0 mpg (9.1L/100 km)	24.1 mpg (11.7L/100 km)	23.3 mpg (12.1L/100 km)
Family Diesel Estate—manual	37.7 mpg (7.5L/100 km)	27.2 mpg (10.4L/100 km)	30.1 mpg (9.4L/100 km)

Petrol consumption in accordance with official Government test procedure



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London W3 0RS.  
Tel: 01-993 2331

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World famous for strength.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## MATERIALS

### Retards flame spread

FLAME retardant acrylic PVC alloy sheet of high thermoformability, strength and rigidity is to be offered in Europe by Rhom and Haas under the trade name "Kydex".

More breakage-resistant than conventional thermoformable materials and having superior rigidity when deeply drawn thin-walled parts are formed, it is being used extensively in seating for aircraft and mass transit vehicles, wall covering and transport linings, electronic equipment housings, light

weight suit-cases and material handling and construction equipment enclosures.

Kydex is available as an opaque sheet with one surface pretextured with a hair-cell grain effect. It can be obtained in a wide range of standard colours and thicknesses, in sheet or roll form and is price competitive with rigid PVC or flame retardant ABS.

Rhom and Haas, Lennig House, 2 Mason's Avenue, Croydon, Surrey, CR9 3NB. 01-638 3344.

## SAFETY

### Wool lessens fire risk

WITH REGARD to current concern with safety regulations for upholstered furniture, the International Wool Secretariat is anxious to inform the public that wool is naturally flame-resistant, and that it is also available to domestic furniture manufacturers.

The fibre is used in all forms of transportation—aircraft, railways—ships—and in public buildings, shops, hotels and offices. In many situations, in fact, where public safety is of vital importance.

To enable wool to reach the stringently high standards required, technologists at the IWS's technical centre at Ilkley have developed a process called ZIRPRO. This conforms to BS 5852, FAA 25.853 for aircraft furnishings, and the Radiant Panel Test BS 475 Part 1 (Class 1).

## INSTRUMENTS

### Versatile electron microscope

GREAT EASE of image manipulation and a wide variety of optional modules are the keynotes of an advanced scanning electron microscope from Philips, the SEM 505, available in the UK from Pye Unicam.

In its "full house" form the instrument has two viewing screens and a third unit for photographic recording, although the microscope is available with one viewing and one photographic screen in the basic console.

In conjunction with multi-function detector (MFD) arrangements in the chamber this results in considerable flexibility in regard to what can be put on the screen, and all the viewing can be at TV scanning speeds giving a conventional and high quality television picture. The MFD technique allows images to be generated from transmitted electrons, backscattered electrons or cathodoluminescence and these signals can be electronically mixed on one of the screens, giving what amounts to almost complete flexibility in the way in which the specimen is illuminated, particularly in terms of the shadows in the image.

By using the two screens, or a split image on one, the picture can be viewed at two different magnifications at the same time.

With a relatively low magnification on one screen a moveable variable size electronic view-

## METALWORKING

### Aids production of accurate castings

AFTER SEVERAL years' work and step-by-step testing the Sterling Metals division of Birnid Qualcast group has developed a CO<sub>2</sub> core-making process for volume production of large, accurate castings like cylinder blocks.

The big attraction of the CO<sub>2</sub> process, which has been known since the last century, is its cheapness allied to excellent casting finish. But up to now it has been confined either to small products or to large ones, or roll form and is price competitive with rigid PVC or flame retardant ABS.

Rhom and Haas, Lennig House, 2 Mason's Avenue, Croydon, Surrey, CR9 3NB. 01-638 3344.

THE next step was to buy or devise equipment for volume output of consistent quality. The iron foundry turns out some 200 tonnes a week of castings, mainly diesel engine blocks. Sterling settled on a French Osborn core blower, but could find nothing suitable in the way of a rotary table for the core boxes. So it designed and built one itself at a B Q subsidiary, Pneuclec. This is an eight-station circular machine which has the useful attribute of indexing past empty stations if only four are being used.

Productivity has soared to 135 cores per man per shift compared with a previous 70 and there has been a reduction in manning. Some 3,600 cores an eight-hour shift are regularly being produced.

The new process is part of a £1.25m modernisation of the iron foundry which by the end of the summer will see six Osborn-Pneuclec machines in operation and a further significant saving in manpower. Birnid Qualcast is now in a position to take orders for the core-making equipment.

Inquiries to Pneuclec, Cleapate Lane, Quinton, Birmingham B32 3EB.

PETER CARTWRIGHT

### Longer life saw blades

BECAUSE IT believes there is a growing market for longer life circular saw blades for power tools, Black and Decker introduced earlier this year a conventional steel blade with special tungsten carbide tips.

The special foil backed tips are a result of many years' research by a leading European supplier of tungsten carbide.

Cerametal of Luxembourg. In cutting and wear part applications, tungsten carbide gives greatly extended life, invariably resulting in an overall reduction in cost, says the company. With fine grades and careful machining, the material lends itself to very close tolerance tooling and moving part applications.

Usage study completed

EURODATA '79, the huge study of the usage of data communications in Western Europe, has now been substantially completed at Logica. Draft results and reports have been delivered to the telecommunications administrations (PTTs) of 17 countries of Western Europe, and are now going through the acceptance procedure. Under newly signed agreement, the results will also be available commercially once acceptance is completed.

What is believed to be the first UK gearless group installation using a micro-processor system has been working successfully since last November in a 15-storey building in the City of London. The three-car group under micro-processor control has answered more than half a million calls with an average passenger waiting time of less than 15 seconds.

Logica and the Eurodata Foundation have now signed an agreement which will make a series of three reports available commercially. The first report will be essentially the same as that now delivered to the PTTs. The other two will involve further analysis of the mass of information gathered for the study to produce reports on the terminal and data communications equipment markets respectively.

The Eurodata '79 study has already shown that data communications is an even bigger and more rapidly growing business than previously thought.

It found a total of almost 400,000 modems and other data communications connections in Western Europe at the beginning of 1979. These are being used by more than 600,000 terminals.

By 1987 there are expected to be over 1.6m data connections and almost 4m business terminals in Western Europe.

The study also foresees another 2.7m TV sets adapted to receive Prestel and other viewdata services in private homes.

The study covers the following countries in Western Europe: Austria, Belgium, Denmark, Finland, France, German Federal Republic, Greece, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK.

Logica on 01-837 9111.

## HEATING

### Annealing costs cut

ALTHOUGH OIL- and gas-fired brick furnaces have been commonly used in the annealing of wire, fuel used in them are becoming increasingly expensive and, if energy costs continue to rise, an alternative answer—the electrically-fired low thermal mass furnace—can produce dramatic reductions in cost, says Cooperheat, 164, Lord Street, Southport, Lancs. (0704 33638).

Two electric furnaces, designed, built and commissioned by the company, are already working in the Sheffield area, resulting in a saving (on current energy costs of using oil or gas-fired brick furnaces instead of the LTM furnaces) of about \$11 a ton.

The car bottom-type furnaces, which are fitted with recirculating fans, are capable of heating a 20-tonne load alloy steel wire coils to 680 deg. C in four hours; this temperature being maintained for 15 hours—the consumption for the whole cycle being only 3600 kWh. This is equivalent to 180 kWh per ton.

Based on present energy prices this represents full heat treatment of less than \$4 per ton (significant saving when compared with the \$15 a ton normally incurred where oil/gas-fired brick furnaces would be used).

Since the furnaces are in daily use, it is anticipated that at Kiverton Park Steel and Wire Works, for instance, an annual saving in fuel costs of \$60,000 will result.

The company says that in this example, the capital cost of installing the furnaces could be recovered in just over a year.

Wire process industry and post-weld heat treatment areas will, of course, save even more, say the company, if energy costs continue to escalate.

## HANDLING

### High-speed counter

or equivalent volumes of other items. There follows a high-speed feeding unit and an infrared counting device, adjustment for different sizes being carried out on four wheels. The count appears on a pair of five-digit LED displays, one for each of two independent photocells, which have to agree before the pre-set batch is accepted.

The machine also has dual output chutes so that while the count is under way on one channel, the other can be prepared with a new bag by the operator. Batch sizes can be from 100 to 999.



This useful collapsible shelter is being offered to local authorities, building and civil engineering contractors and any company which has an outdoor job which must be done whatever the weather. Conditions: The cover is made from translucent plastics material and together with the lightweight frame the shelter weighs 84 lbs. It all folds up into an easily transportable package. It is marketed by International Quality Control Laboratories, The Square, Bakewell, Derbyshire (062 981 3447).

## TRANSPORT

### Less time waiting for lifts

IN LINE with current developments in micro-technology, lift manufacturer Kone Marryat and Scott, which introduced the first computerised control system for lifts in the UK in 1974, has made a major move.

What is believed to be the first UK gearless group installation using a micro-processor system has been working successfully since last November in a 15-storey building in the City of London. The three-car group under micro-processor control has answered more than half a million calls with an average passenger waiting time of less than 15 seconds.

All microprocessor equipment is being manufactured in the Bristol plant of KMS. Last year the company exported 30 per cent of the total UK lift industry exports.

The company's UK headquarters are at Wellington Works, Wellington Road South, Hounslow. Telephone 01-570 7799.



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## PROCESSING

### New mixing machine

SOME OF the latest technological innovations in the field of solids mixing and processing are said to be incorporated in a new mixing machine to be marketed by Babcock Gardner (a subsidiary of Babcock International) of Bristol Road, Gloucester GL1 5RP.

It has been called the Babcock Gardner "B" Mixer-Processor and is a horizontal batch mixer for powdered and granular materials. Machine capacities are from 0.5 to 10 cubic metres.

The machine can also be used for liquid addition and paste mixing. As a processor, it can heat/cool/dry/coat and physically or chemically treat powdered or granular materials.

The company says the unit can be adopted for low or medium shear rates, particle size reduction and viscous liquid mixing. Options include custom-designed covers for inlets, shaft sealing arrangements, jacketed vessels, together with a choice of construction materials and finishes.

Derek Melven, managing director of Aylesbury-based TRW-United-Carr, doesn't take decisions without thoroughly analysing the relevant facts and alternatives.

So before deciding on the right energy source for a new plant installation, Derek took advice from his local Electricity Board's Industrial Sales Engineer. The company which manufactures fastening devices for the automotive industry, now uses electricity in four key areas.

A compressed air drying unit keeps pneumatic systems going, electric heat treatment furnaces have increased output by half, automatic electroplating gives closer quality control and electric

**INVEST ELECTRIC**

The Electricity Council, England and Wales

272727

كما في المختبر

# FINANCIAL TIMES SURVEY

Wednesday May 28 1980

## REPUBLIC OF MALDIVES

**Fourteen years after independence from Britain, this far-flung Indian Ocean archipelago is opening up to the outside world faster than ever before. Although President Gayoom has introduced political liberalisation, the economy is still struggling and the benefits of organised tourism have yet to reach the majority.**

### A city state in the tropics

By Larry Klinger

**THE MALDIVE ISLANDS** are like a vast city-state, a tropical Venice that was never rich, with not one lagoon but thousands, and canals whose widths are measured not in feet but miles.

Its politics could be those of Renaissance Italy, where the expected punishment for political crime is banishment to a distant island, and where an elite of families continually strive for power, a struggle that culminated this year in an attempted coup involving the hiring of a band of foreign mercenaries.

The Republic of Maldives is a 500-mile archipelago of coral atolls in the Indian Ocean southwest of Sri Lanka. It is a nation comprising 41,500 square miles, of which about 98 per cent is sea. Of its 1,200 tiny islands, about 200 are inhabited. The population of less than 150,000 is thus spread very thinly indeed, with the exception

of Male', the capital, where about 30,000 live on a single square mile.

The last sultan, Mohamed Farid Didi, became only a titular ruler while Ibrahim Nasir, his Prime Minister since 1957 and later president, gained increasing control as the architect of the modern Maldives. Nasir retired suddenly in late 1978 after 21 years of rule and was succeeded by the scholarly young Minister of Transport, Maumoon Abdul Gayoom.

Under President Gayoom, a former teacher, the changes have accelerated. His outward-looking policies have resulted in more diplomatic ties, more schooling and a more interested attitude by the Maldives to world affairs.

The late 1970s were a period of expansion and development for the islands. A satellite station to increase links with the outside world opened in May, 1977, and Maldives International Airlines, managed under contract by Indian Airlines, was established later the same year. In 1978 the Maldives were admitted to the World Bank, and TV Maldives began transmissions.

Because the country has remained virtually self-governing throughout its long history, it has retained a stability and cohesion unmarked by colonialism and the post-colonial upheavals that have characterised much of western Asia.

Nor has it ever been dominated by foreign companies, which has led it to seek practical solutions to its particular problems, such as establishing its own shipping line, Maldives Shipping. And its one natural resource of note,

the skipjack tuna, is in such abundance that there are no signs of serious malnutrition among the islanders.

However, life can be hard in the fishing industry (which accounts for nearly a third of gross domestic product and directly employs about 40-50 per cent of the working population), a man starts his day at 3 am and sails before sunrise returning home on a good day at three or four in the afternoon but more often at about sunset.

For this effort the average crewman will earn less than the equivalent of £100 a year, which will be spent on imported rice and vegetables, improvements to his house (which in its final form will be a simple two-room affair of coral "bricks" with a corrugated-iron roof) cooking utensils, clothes and then some luxuries such as toiletries and toys for his children.

#### Access

Moreover, this low-income poverty in the atolls is worsened by the lack of social services.

The World Bank reports that all indicators relating to health show a situation much worse than the average for low-income developing countries. Access to safe water and health services is almost non-existent. Electricity is also almost unavailable except on the wealthier islands.

The situation in the capital is much better and many would say, including the present Government, too much better. For instance, 54 per cent of the people living in Male' have access to safe water, against only 5 per cent in the atolls.

and nearly 60 per cent of Male's homes have access to electricity, while the figure for the atolls is less than 3 per cent.

The gulf in wages between city and country is also great. A shop assistant earns the equivalent of US\$240 a year plus food allowances. A bank clerk gets a minimum of \$640 and a skilled carpenter or mason, because of the boom in resort construction, can command rates that are the equivalent of a \$900 annual income.

In the 18 months of President Gayoom's rule, the country's economy has been opened to inspection by the International Monetary Fund and World Bank, and legislation has been drafted to establish a national monetary authority and statistics bureau. New investment guidelines are nearing completion that could lead to legislation including the country's first-ever law for private sector banking and direct taxes (on tourist operations) have been introduced for the first time.

The capital's Hulule Airport, whose international traffic is now restricted to 737 flights from Colombo and southern India, is being expanded to take 707 Airbus and Tristar aircraft, which will open the country to direct flights from Europe, the Middle East and Far East.

Expansion in tourism near the capital is proceeding apace, with proposals being considered for the establishment of a second tourist centre on Gan. The fishing fleet is being rapidly mechanised and cold storage facilities constructed with the eventual aim of lessening foreign involvement in the industry.

The capital still does not have a deepwater port, though there is one in Addu Atoll. Plans are being finalised for the expansion of Male's harbour, with improvements expected to develop inter-island transport, and Maldives Radio is being expanded to ensure reception in the most distant parts of the country.

In foreign affairs, diplomatic effort is being increased to extend contracts with the West. A rapprochement has been struck with Britain, after the two countries fell out over the RAF's premature withdrawal from Gan in 1976, and good relations have been re-established with Sri Lanka, following a long quarrel over fish exports.

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of the world-famous Barakuda Club Diving School is based here.

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For further information please write to us at:  
Ihuru Resort, c/o H/Hickory, Male

Tel.: 202 or 298. Cables: QUEST MALDIVES. Tlx: c/o 66043 MF

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For details of bed availability, or for your own, privately arranged holiday please contact us at:

Zonaria, Marine Drive, Male, Republic of Maldives. Telephone: 338. Telex: 66022 Engell MF.

## MALDIVES II

# Optimism about changes in the economy

UNTIL RECENTLY the management of the Maldivian economy was like the Maldivian diet: almost entirely fish with few complications allowed.

Fishing for the skipjack tuna has been the economic activity of the Maldives for many centuries and largely remains so, with an estimated 40-50 per cent of the population directly involved in the industry and with another 20-25 per cent associated with related activities.

And the management of the economy was also a rather straight-forward affair: it was tightly run from the top, under the rule of the sultans and more recently under the leadership of the republic established in 1968.

Decision-making was as highly-centralised as it could possibly be, and planned economic development was almost non-existent: the world abroad was virtually ignored except for the dried fish exports to Sri Lanka and the establishment of a state shipping organisation to reduce the cost of essential imports.

Thoughts of future economic benefit were confined basically to the desires of the small élite in the capital (the creation of tourist resorts in 1972), with little account taken of the possible aspirations of the people in the regions, who comprise about 80 per cent of the population. Now, all that is changing, and swiftly.

**Impetus**  
The transformation began in November 1977, when the Republic of Maldives joined the International Monetary Fund and the World Bank, and got its official public impetus in the following November, with the coming to power of the present government.

On the day following his inauguration, President Maumoon Abdul Gayoom announced that a national agency would be established to create a National Plan, the country's first

serious attempt at co-ordinated economic development.

Then, in July last year, a World Bank mission visited the Maldives. Its initial confidential report was completed towards the end of the year, and the revised version\* was published last month.

The country's economy is small, in fact it is almost microscopic by world standards. The World Bank estimates the 1978 Gross National Product at \$23m. Average annual income per head was put at \$160 and Department of Finance officials estimate that—even with better fish prices, the recent civil service wage rise, and higher salaries because of the expansion in tourism—it is unlikely to rise above \$200 this year.

However, it is this compactness, the lack of complication, that gives the authorities some justifiable optimism that their development activities will quickly bring results. There are few layers in the Maldivian economy through which to permeate.

For instance, in this tiny economy with its almost 33 per cent import dependency, where consumer goods, particularly foods, are the main ingredient, any improvement in agriculture has an immediate effect. After only a few months of a programme to encourage small-scale chicken farming, the price of eggs (in a market noted primarily for its insatiable demand) actually fell.

But it is equally true that the country's severely limited resources could quickly become strained. The Maldives has neither the acumen and expertise of a Singapore nor the petro-chemical-based wealth of a Bahrain and therefore will have to continue to rely on external grants and soft loans to finance larger development.

Even small-scale initiatives can be costly. Ministers and other officials, who now make frequent visits to the regions, are noticing with concern what transport costs are adding to their departmental budgets. And in priority areas such as health and education, until Maldivians

can be sufficiently trained, costs will be substantial as long as the technicians must come from abroad.

Not long ago, when the aspirations of the wider population were largely ignored, the national budget (such as it was) seemed to have remained roughly in balance, with deficits made up by the printing of some extra money. Now, however, the national budget is moving increasingly into deficit, with debt servicing alone predicted to rise from the \$10,000 in 1976 to \$15m in 1985.

### Approach

The National Planning Agency is hoping to complete its proposals for a national plan (almost certainly to be of three years' duration) by the end of next year. The agency, which has used its first months in the training of staff under the direction of an aid-assisted adviser seconded from the world banks, now feels competent to approach the Government to determine national priorities and has scheduled for July a national conference of official policy-makers and representatives from the regions and four wards of the capital.

Among the issues high on the agenda will be:

**Fisheries:** This sector accounts for about a third of the estimated \$23m gross domestic product and almost all of visible export earnings. The aim is to phase out foreign involvement in production (while in the interim providing the foreign companies with operational confidence).

Under a 50-year, \$32m International Development Agency loan, the fleet is being rapidly mechanised (engine replacing sail) and five repair and maintenance centres are being built, to add to the existing five. A new large aid package has been negotiated and is expected to be announced within a few months' time that would provide for freezer collecting barges and major cold storage facilities. The finance to be made available is expected to

be about twice the amount of the IDA loan, and it is hoped that, when the project has been completed, the industry, especially in the south, will be much nearer to being completely in Maldivian hands.

Aid is also being actively sought to carry out stock research, not only for tuna but for whitefish, where there is thought to be extra potential.

**RANKING:** The State Trading Office has been acting as national accountant and the Department of Finance left to oversee any embryonic monetary policy. Now new legislation is being put before parliament to establish the Maldives Monetary Authority, which will group together all Central Bank activities, including guidance of the private sector.

The commercial banks welcome the move, looking forward to the possibility of Government borrowing through the issue of securities and the possibility of official guarantees for certain types of lending in the private sector.

**AGRICULTURE:** What one Minister described as "the sleeping sector," this long-neglected area of the economy has been given the highest priority as part of the programme to develop the regions and cut dependence on imports. The Ministry of Agriculture has initiated planting and cultivation schemes and an extensive series of technical visits to educate the regions to modern methods and the potential benefits of small-scale farming.

Other projects include the distribution of seeds and pest control, especially of crabs and rats, the latter of which was responsible for damage to 60 per cent of last year's nut crop. In an aid-assisted scheme started last year, a programme of poisoning has led to a doubling of coconut yield within eight months.

"The Economy of the Maldives: an introduction," World Bank South Asia Programmes Department report No. 2739-MAL, April 2, 1980.

Larry Klinger

## Closer links with Islamic nations

UNTIL THE establishment of a Maldives tourist industry in 1972, and with it the semblance of a regular air service from Sri Lanka, only the exceedingly sporadic calls of naval vessel brought a foreign visitor to the capital island of Male.

Moreover, until 1978 the country had been under the tight 21-year rule of Mr. Ibrahim Nasir, who, with his family and other business associates, kept a firm grip on the country's affairs, discouraging outside interest. It is a criticism often heard of the former president that because he lacked the fundamental diplomatic skills, including fluency in a major world language, he was jealous of any Minister's success in foreign diplomacy.

Indeed, one currently high-placed official attributes the beginnings of his downfall with Mr. Nasir, and his eventual jailing, to achievement abroad generally and more specifically to a suggestion that strenuously applied diplomacy would convince the British to do more to alleviate the economic effects of their withdrawal from the Gan air base. Mr. Nasir is said to have replied: "If the British want to go, let them." Indeed, one currently high-placed official attributes the beginnings of his downfall with Mr. Nasir, and his eventual jailing, to achievement abroad generally and more specifically to a suggestion that strenuously applied diplomacy would convince the British to do more to alleviate the economic effects of their withdrawal from the Gan air base. Mr. Nasir is said to have replied: "If the British want to go, let them."

However, it is true that it was under Mr. Nasir that an effort was initiated to establish closer links with the Islamic nations of the Middle East and western Asia, and under whom his country's course was set on a policy of non-alignment with the Super-powers.

The Government, in early 1978, rejected a Soviet offer to lease Gan for \$1m a year (which, incidentally, would have covered nearly a third of this dependent nation's import bill). By retaining the country's only world-scale political asset, the Government helped to protect its non-alignment, even if no country actually needed the use of Gan, there were those interested in keeping each other out and therefore willing for Maldives to maintain its neutrality.

It is this insular historical backdrop, which goes back at nearly 2,000 years, that points up so clearly the recent quickening pace in Maldivian affairs. Mr. Nasir's successor, President Maumoon Abdul Gayoom, embarked immediately after coming to power in late 1978 on a new, active, outward-looking foreign policy. The Maldivian rapprochement with Britain was a good example.

Britain's use of Gan had always been troublesome. Negotiations for the lease were protracted and acrimonious, with each side accusing the other of bad faith. Then, in 1959, an uprising in the south, which by this time was becoming relatively prosperous because of the European Economic Community.

British presence, left central government convinced that the rebellion was condoned, if not actively supported by Britain.

When the evacuation by Britain came in 1976, President Nasir, not forgetting the rebellion, insisted that British aid would be spent at the discretion of the Maldives' special problems. "The West is now sympathetic," said an under-secretary, "but slow."

These same officials, however, will admit that the Maldivian case has been hampered by the country's past failure to provide adequate information. Until very recently aid receipts and use were not accounted for by any normal standard, and not long ago few relevant economic statistics were published at all.

That is why much emphasis is being placed on the World Bank report just published and the imminent formation of a national monetary authority and national statistics office.

What some officials feel is most needed at this time is non-specific aid, assistance not set out in detail that it becomes inflexible. "What we sometimes find," said an official, "is that a particular programme may come to a deadend. Then we have to apply for an alteration in the terms and possibly wait six months before we can change direction."

A report on inter-island transport now before the Government was given as a good example of what this sort of aid can achieve. With West German finance and Asian Development Bank technical assistance, research has shown that the country's chronic transport problem might be greatly reduced with three 400-500 dwt vessels plying between the capital and specific points in the north and south to distribute imports and collect local produce for Male.

Officials responsible for aid programmes at the Ministry of External Affairs feel that Western countries are willing to provide more help but are unable to understand the Maldives' special problems.

"The West is now sympathetic," said an under-secretary, "but slow."

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The re-entering of Britain on the good side of the ledger was considered a particular success because of the Maldives' wider effort to expand fruitful contacts in the Western world. Not only did Britain provide direct financial assistance, it also agreed to present the Maldivian case for food aid to the European Economic Community.

Fishing boats along Male waterfront



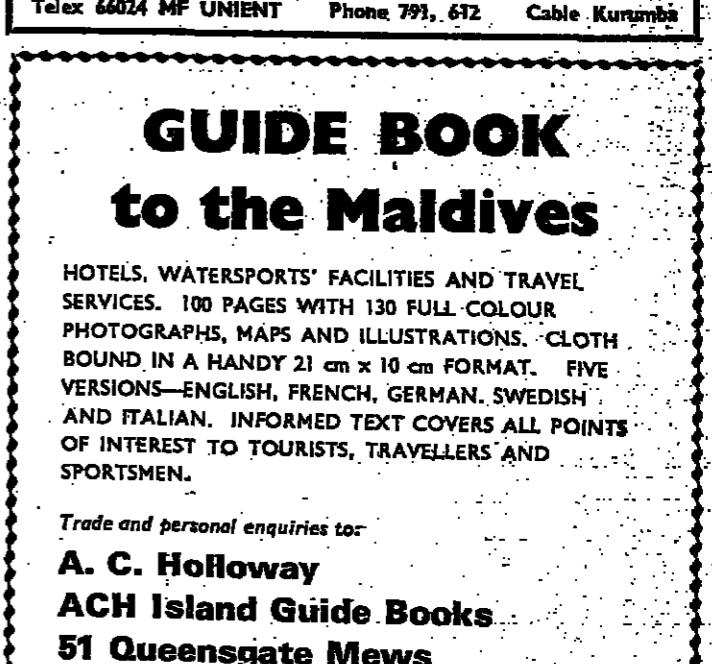
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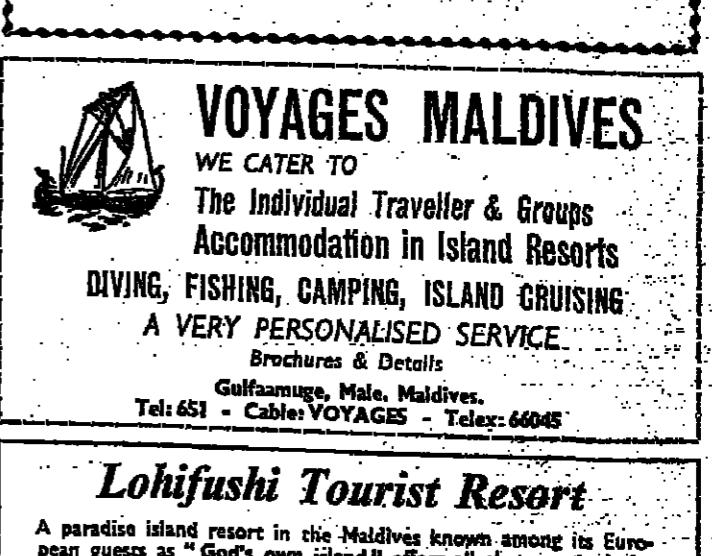
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مکانات السفر

## MALDIVES III

## Politics testing a non-violent society

USUALLY TRANQUIL, reserved and non-demonstrative, the Maldivian Islanders explode periodically — about every seven years or so seems to be recent pattern. People march in the street, dressed in their finest, clean clothes, to demonstrate for or against the government in power, depending on the current tide, and always against a suspected enemy of the country.

Such demonstrations, though superficially giving a carnival appearance, verge on mob action and can be pushed to violence, as one outside observer remarked, by the slightest whisper of provocation. Politics, a leading Maldivian once noted, is the one sphere in which violence might erupt in this generally non-violent society.

This is the state the Maldives is in right now. Exactly a month ago the people living in the capital Male erupted again after a lull since 1974.

This time they rose up in response to President Maumoon Abdul Gayoom's announcement in an extraordinary session of the parliament (majlis) that details of a coup attempt had been uncovered.

The President declared that a Maldivian, Ahmed Naseem, a former deputy Minister of

Fisheries, had allegedly confessed to National Security Service interrogators that he had devised the plot, which included his hiring foreign mercenaries to execute it.

The week before the deputy head of the National Security Service, Mr Ilyas Ibrahim, and the President himself had confirmed that the Maldives Government had been tipped off in late February that such an internationally planned coup attempt was being made. Not until they obtained a confession from Mr Naseem, who is a brother-in-law of the former President Nasir, were they able to pin it on anyone.

Now there are almost daily demonstrations in favour of the incumbent President Gayoom and against the former President Nasir. People have burnt pictures of Nasir.

## Surprise

Mr. Nasir, in an interview with me in Singapore, firmly denied any involvement in the plot, saying that he had no knowledge of it until it reached the world Press. Both he and his wife, Naseema Mohamed Kaleyfan, the sister of Mr. Naseem, expressed surprise and embarrassment about her brother's reported confession.

But the Maldives government maintains that it has proof otherwise and refuses to accept Mr. Nasir's denial.

On May 16 the President himself led a large, hours-long demonstration against his predecessor. He and other leading orators and opponents of the former president spoke to crowds of between 15,000 and 20,000 and discussed their views of how Nasir came to power and how he allegedly mis-handled government funds.

Waiting in prison, presumably for trials, are a number of friends and the brother of Mr. Naseem. They will be tried according to Muslim Sharia law and probably banished for sedition acts or statements.

The history of Maldives is full of such witch-hunts and scapegoat-seeking periods. The alleged crimes have always been that strong opponents were plotting to overthrow the incumbent government. People, members of the elite are often considered guilty by association with others viewed guilty. That is why often whole families, houses of people, groups of friends, disappear from Maldivian political life for periods of time.

Banishment from one's own island to another distant island is the chief form of punishment.

Because of the extreme distrust and suspicion of the outside world, this punishment is greatly feared. It can be imposed on any offender for any kind of crime. But it is for political crimes, for which a wide variety of acts can qualify and for those relatively few persons who might be found guilty of political wrongdoings, members of the elite, who banishment holds most meaning.

The Maldives elite, which is always in flux with different families and houses vying for power, directs and influences all the country's social, cultural, economic, political, religious and commercial affairs and has since earliest times.

Political opponents face the greatest likelihood of banishment from Male' to an outer island, far away from the centre of Maldives political life. This has always happened as it did recently under former President Nasir to his suspected rivals such as Ahmed Zaki, the current Ambassador to the United Nations, and the incoming President Gayoom.

Traditionally those viewed as the greatest threat to the ruler have received a punishment usually unspeakable, that of violent acts, either by the security services holding the arms or by the people them-

President Nasir's uncle was packed off to Colombo where he still lives after many years, or they fled into exile as the leader of the Suvadiva Rebellion, Afeef Didi, did in 1963 when his assistance he moved to Seychelles.

Or one might simply go away for a while and end up in real exile as in the case of the former President Nasir, who moved to Singapore to carry on his private business just as the shipping magnate Ali Maniku has also done. And now Nasir has become a hunted man, accused by his former Cabinet members and advisers of having committed a variety of alleged crimes.

## Pardon

Nasir believes as do many others that it would not be safe for him to go home now. Likewise, Nasir's old rival from Addu Atoll, Afeef Didi, never felt safe enough to return to his native land, even after receiving an official letter of pardon from Nasir, nor even now under a new president.

While violence is almost non-existent in the Maldives, there is always the underlying, usually unspoken, threat of violent acts, either by the security services holding the arms or by the people them-

selves. In the 1950s the deposed first president, Mohamed Ameen Didi, made the mistake of coming home and was beaten to death. And during the Suvadiva Rebellion in the early 1960s the Maldivian army opened fire against a village.

An intricate system of informers, gossip and accusations, serve as the primary means of socio-political control. The sultans and now presidents have since ancient times installed their informants, usually loyal Male' men, not only throughout the capital but also in each Maldivian island where they serve as listening posts. Then the real threat of banishment far from family and home to distant, uninhabited islands is the powerholder's strongest weapon.

Along with this threat, but held out with the other hand, is the potential of favours, the rewards of land for building houses and political appointments, for the loyal, unquestioning informants.

People are said to come into favour by what is called vael-huvun "blowing wind," or flattery. The flatterer blowing wind keeps the ship going. But like the wind blowing the sails, such flatterers can be deceptive, coming and going or changing course without notice.

Elizabeth Colton

## Maldives and State Bank partners in Paradise.



The Republic of Maldives. It's an island paradise floating on the Indian Ocean. A haven of picturesque tourist resorts offering the world a quiet, peaceful place to get away to.

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State Bank, with its complete range of international banking services, has become Male's link with the world.



## Growth of shipping fleet a success story

THE MALDIVES shipping industry is a success story. And it reflects the self-reliance and determination of Maldivian entrepreneurs.

Most people credit the entrepreneur Ali Maniku with founding and developing Maldives Shipping. But he modestly credits others as well: "Maldives shipping was not developed by me personally but by a team of dedicated workers. The biggest contribution has been made by the intelligent and the hardworking crews of the islands and faith and trust bestowed upon me by the successive administrations of Maldives."

The predecessor to Maldives Shipping, which is now government-owned, was the Maldivian National Trading Corporation, established in 1948, as a 90 per cent government company which chartered ships from a Ceylon-

lone company to transport essential goods to the Maldives. In 1957, a couple of years after the young Ali Maniku joined the corporation, it bought its first ship, a 1,500-ton steamship that ran the rice-run from Ranong via Colombo to Male.

Then in 1968 a fortuitous circumstance intervened when the 2,500-ton ship, the City of Victoria, ran aground in the islands. As Maldivians have done throughout history when they have been lucky enough to have foreign ships wreck on the treacherous reefs, they took over the vessel; then they took it to Male, registered a salvage claim and patched it up.

This was the first ship of the Maldives Shipping fleet. The former City of Victoria was renamed Difushi Madu after the reef where it was wrecked, and the vessel set sail under the Maldivian flag in 1963.

The small, but steadily growing Maldives Shipping moved into its new headquarters in modern offices overlooking Male harbour in October last year. Before that it was run primarily out of Singapore, and also from Bombay.

According to Ahmed Muithaba, the director in Male, it is now a 100 per cent government-controlled company with an autonomous board of directors answerable to the Maldives president. It continues to maintain offices in Singapore, London, and Bombay.

People used to ask why the Maldivian shipping line was based overseas. And Ali Maniku, now its managing director, would answer that it would be impossible to run such a company without international telecommunications. Until 1977 there was no modern link to the outside world, only a radio

telegraph link to Bombay and previously to Colombo, and sailing ships and a few aircraft.

But Ali Maniku sought out the British telecommunications company, Cable and Wireless, and asked if it would be interested in running the Maldives' international telecommunications system once a satellite earth station was installed in May 1977. Cable and Wireless agreed to come, but only if Ali Maniku would agree to move his government company to Male.

Maliku but the Male office will grow by stages, first handling only accounts, then accounting of crews, then day-to-day operations in consultation. The insurance is still handled in Bombay.

From its small beginnings the company has grown steadily, filling gaps in the shipping business. Maldives Shipping sails to ports in the Indian Ocean with which other companies won't bother.

The regular trading area for Maldives Shipping includes Bangkok, Singapore, the Persian Gulf, the Red Sea, the Indian and Sri Lanka coasts and sometimes to Hong Kong and the Mediterranean. Mr. Muithaba said that with the recent purchase of larger ships, the company would soon be going worldwide. Already it visits ports in South America.

Maldives Shipping now manages 37 ships, ranging from

1,000 to 15,000 tons, of which it owns 32 and has interest in the other five. Total tonnage is 161,297 dwt. Most of the ships are general cargo, but there are two tugs and one small oil tanker.

The company's growth plan is to get rid of the small diesel-burning ships, which are uneconomical and buy larger ones. This will increase the total tonnage, while decreasing the actual size of the fleet. Currently it is discarding eight ships and buying four.

Mr. Muithaba attributes the company's success to the people who started it to the Maldivian crews, and to a policy of non-interference from the government. Meanwhile, Ali Maniku predicts that shipping will soon surpass the Maldivian fishing industry as the country's major earner of foreign exchange.

Elizabeth Colton

## Reticent entrepreneur

**PROFILE**  
**ALI MANIKU**  
Shipping Magnate

THE MAN pulling many of the strings behind the scenes as the Maldives modernises is the founder of the Maldivian shipping industry, Ali Umar Maniku. An astute Maldivian observer of his own society recently referred to this leading businessman as the "lifeline of the Maldives."

The original financing of the young republic in the 1960s and the development schemes, including the capital for establishing the Maldivian tourist industry in the past decade, came from Ali Maniku's business empire, primarily shipping.

Yet his financial control over the country has been maintained from a great distance. Since 1973 he and his wife have lived in Singapore, where he has managed wide-ranging, private business as well as the small, but highly successful Maldives Shipping.

Although until recently Ali Maniku, now 43, was about the only Maldivian personality known to anyone who had ever heard of the Maldives, he has always avoided publicity. His interview with me recently, in Singapore, was the first he had ever given any journalist. In his own words: "I am a person who

shuns all public and Press lime-light, and this has been my way of life from the very beginning."

It was through his business contacts that foreign investors were introduced to the Maldives. He is perfectly candid that it was he who started the islands' tourist industry and brought in the commercial fishing companies to develop Maldivian fisheries.

Cable and Wireless first came to the Maldives to set up the satellite station on Ali Maniku's urging, and the final agreement between the Maldivian Government and the British telecommunications company was drawn up with him.

## Vital promise

It depended also for Cable and Wireless on a vital promise made to them by the Maldivian magnate—that he would establish the Maldivian capital Male as the base for operations of Maldives Shipping once Cable and Wireless began operating international telecommunications in the country. Cable and Wireless moved into Male in 1977, and a year later true to word, Ali Maniku moved Maldives Shipping to Male.

The shipping magnate's father also was a leading Maldivian businessman, a self-made man. Ali Maniku studied in Ceylon

as a Maldivian government scholar from 1948 until he left school in 1955 to join the Maldivian National Trading Corporation. The corporation then chartered ships to transport such essential commodities as rice to the Maldives Islands. It was only then that Ali Maniku got interested in shipping—"took a fancy to it"—and from that base developed the Maldives Shipping Company.

In his Singapore office Ali Maniku, portly and greying, sits low behind his desk covered with papers and telephones. Throughout the interview, officers and secretaries in his firm come in and rattle off what ever pressing business they have up with him.

"Shipping is like a chess board," he says, "and the player must be flexible, able to reverse his decisions the next day." And he injects an appropriately Maldivian remark from his maritime world: "There are sharks all around."

He visits the Maldives very seldom. And it is reported that when he does everyone having any connection with him waits for him with trepidation. Accounts are gone over with great care by the business managers themselves.

By his own admission and as everyone who knows him says, Ali Maniku is a workaholic. He has worked an average 18-hour day for years. Whoever takes over the helm of the company must know the whole business, he says firmly.

He wants to retire soon from Maldives Shipping. He would remain in Singapore and continue with his other private businesses.

The trouble is, as he and others interested in the company discuss, there is no one who immediately comes to mind to replace him. The director of Maldives Shipping in Male, Ahmed Muithaba, also holds the government post of Director of the Department of Tourism and

Elizabeth Colton

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## MALDIVES IV

Larry Klinger meets the President and puts some searching questions

PRESIDENT Maumoon Abdul Gayoom is an innovator, as opposed to a reformer. He is a very religious man, in many ways a traditionalist, believing in the maintenance of established moral and social values.

But, unlike his predecessor, Mr. Ibrahim Nasir, who ruled with an autocratic hand for 21 years, Mr. Gayoom allows substantial expression of political opposition, travels extensively at home and abroad, and makes many public appearances. He pursues a domestic policy aimed at economic improvement of the long-neglected regions and a foreign policy aimed at expanding Maldivian contacts.

President Gayoom, 42, took office in November 1978 after a career in government that included office as Minister of Transport and as his country's first permanent representative to the United Nations.

He received a master's degree

# A traditionalist carrying out reforms

in Islamic studies from Cairo's al-Azhar University and taught his subject at Ahmadu Bello University in Nigeria.

Earlier this month he granted an exclusive interview in Male' to the Financial Times, in which he spoke about the Maldives' policy of non-alignment.

**KLINGER:** Mr. President, the general thrust of Maldivian foreign policy is to expand your contacts diplomatically, culturally, in trade and aid, while remaining completely "non-aligned." Do you see this policy continuing to be a successful one, or are there pitfalls?

**PRES. GAYOOM:** The policy of non-alignment that the Maldives is vigorously pursuing is not only successful, but, in my opinion, is the only stand in world affairs that would guarantee our independence and sovereignty in the context of the existing rivalry between

the Superpowers.

We are a small nation and we would not like to be dragged into international conflicts. We would like to have friendly relations with all the countries of the world irrespective of their political systems. We would like to concentrate on our development but we cannot hope to do this unless we avoid the pitfall of siding with one bloc against the other.

**KLINGER:** An integral part of increased world tension is Superpower rivalry in the Indian Ocean. Your predecessor, President Nasir, rejected a \$1m-a-year offer from the Soviet Union for the use of Gan airbase. You have continued to rule out Superpower use of Gan though the money must be tempting. Will your policy remain the same?

**PRES. GAYOOM:** First, to keep the record straight, let me

point out the fact that it was not former President Ibrahim Nasir himself who had rejected the Soviet offer. The matter was referred to the Cabinet.

This was one of the rare instances in which he had consulted the Cabinet on any important issue. It was the decision of the Cabinet not to allow the Russians to use Gan.

As I have already said, strict non-alignment is essential for our independence and development. Therefore, we will never allow any big powers to use Gan or any part of our country. Our independence and well-being are more important to us than any amount of money.

**KLINGER:** Your country recently concluded a cultural and educational assistance agreement with the Soviet Union. People from outside the Republic of Maldives have noted that such arrangements have been a prelude, although not neces-

sarily a cause, of greater Soviet involvement in some countries. Do you foresee any problems in this case?

**PRES. GAYOOM:** The recent cultural and scientific agreement signed between us and the Soviet Union is merely a formalisation of the co-operation that already existed between our two countries. This agreement does not have any political significance. In fact, many countries of the region do have

not been liberalised enough. This seems difficult to resolve in single policies. How do you do it?

**KLINGER:** You have spelt out to parliament the details of a plot in February to assassinate yourself and other senior members of the Government. Do you feel a continuing threat, and, if so, what precautions have you taken?

**PRES. GAYOOM:** Investigations are taking place both in Male' and in Colombo. Before these investigations are completed and we know all the people involved both in this country and abroad, it will be hard to say whether such a threat still exists or not.

The plotters' plan to use international mercenaries makes the scheme twice as dangerous. But there are many precautions that could be taken to thwart any future attempt, including a further tightening of security measures.

It is a tragedy for one to be ahead of his time—especially if you happen to be the leader of a nation—as we have seen in the case of the late Amin Didi, the president of our first republic. He was a man of vision and courage. But his tragedy was that he tried to do everything too fast and too soon. One has to learn from history, particularly the history that you yourself have lived.

Another difficulty is that many people misunderstand what it stands for. They tend to give more importance to the form than the content. They forget the beauty and truth of its values—tolerance, compassion and human brotherhood.

The attractiveness of Islam, to my mind at least, is its pragmatism and adaptability to different places and conditions. Had it not been for this resilient characteristic, Islam would not have survived 14 centuries in all sorts of political and cultural climates.

It has not only survived but is gaining ground every day. You can't possibly imagine two political systems that are so much at variance as those prevailing in Saudi Arabia and Libya, but the fact is that Islam remains the central theme of government in both countries.

I'm sure that with better education and more maturity which would make us less dogmatic and more adaptable to change, we can adopt a balanced outlook that would satisfy the demands of progress and preserve real values of our



Maumoon Gayoom, innovator

**PRES. GAYOOM:** It does not, for a country like ours, with such limited resources, it is essential that we utilise all our economic potential to the full. So we have to live with tourism.

There are, of course, changes that will come with tourism and with the influx of foreigners to the country. Despite certain undesirable effects that tourism may have already caused, I believe that our gains from this industry considerably outweigh them.

**KLINGER:** Your country is seeking greater foreign investment and aid. Here, again, you are working towards expansion without undesirable effects on the Maldivian way of life. What sort of investment and aid are you seeking?

**PRES. GAYOOM:** I am very pleased that I have been very successful in getting foreign aid for our various development programmes. We are seeking aid that would contribute to our social and economic development with no strings attached. More aid is still required in areas such as fisheries, inter-island transport, health, communications and education.

**KLINGER:** The Republic of Maldives has developed a sophisticated tourist industry. You have managed this without import and other taxes up to 10 years and they are allowed to repatriate their profits. We should like to invite reliable foreign parties to invest in any feasible undertaking that would contribute to the growth of our economy and provide job opportunities for Maldivians.

## Holiday paradise in the sun

THE COUNTRY'S tourist industry began only in the early 1970s when a couple of dozen Italian tourists came off the beaten track for a stay in Male', the urban capital island. The idea was thus implanted, and in 1972, a semi-government agency was established to finance and build resorts, the first of which offered 122 beds and drew 918 visitors in its first season.

Since then the number of resorts has grown to 27, available beds to 1,742 and registered guests to 33,140 in 1978, representing an average annual growth rate (excluding the big leap in the second year to 3,789) of 46 per cent. There are now no further 14 resorts under construction, and the Department of Tourism and Foreign Investment is forecasting more than 40,000 paying guests this year. "A very safe prediction," one official said.

These figures are remarkable when put alongside the facts of Maldivian life: a shortage of finance, natural resources and expertise. The Maldivians started their tourist industry from scratch and made it a success without even an external promotion campaign—something

the national budget could not afford. What this attests to is the ironical situation in which the very lack of economic blessing has provided exactly what the winter-weary tourist years for: hundreds of islands uninhabited because there is no easily-tapped fresh water supply—with dazzling white beaches, arching coconut palms and flowering trees and shrubs. All in a climate that bakes year-round in the tropical sun, even during the rainy seasons.

A warning though for the visitor: while the resorts provide the epitome in "desert-island" holidays, simplicity is the keynote. There is little in the way of live music, discotheques, sophisticated cruises and other diversions. A tourism official said simply: "People come here for three reasons—the sun, marine life or birds."

But the development of the tourist industry in the Maldives is not without its problems, the thorniest of which remains finance.

Bank lending for the resorts' construction and operating costs has been restricted by the fear of nationalisation. All land, with a very few minor exceptions, belongs to the state, and is provided to developers on renewable leases of usually five years.

Current law allows for possible government acquisition with two years' notice and cer-

### HULULE AIRPORT ARRIVALS

	ARRIVALS
1972	919
1973	3,789
1974	7,580
1975	8,004
1976	12,477
1977	18,668
1978	29,369
1979	33,140

tain takeover is development involves illegal use of funds—which happened early last year.

A banker said: "The (four) resorts weren't appropriated, or nationalised. It was somewhere in between." The bankers involved were awarded compensation, "but it took a very long time, many months."

Now the banks are considering reopening lending facilities and have several proposals before them. The Government also can provide funds, usually reserved for rescue operations, but at the moment have no requests.

Larry Klinger

# REPUBLIC OF MALDIVES



## TOURISM:

This started in the Maldives in 1972 with a group of Italians arriving in February that year. By the end of the year, there were two resorts with a total capacity of 260 beds. The total arrivals for that year were 990, the arrival growth rate recording a 40% increase till 1978, reached the total of 29,000. In 1979 there were 33,000 arrivals—the bed capacity had meanwhile risen to 1,700 in 26 resorts.

Typically, rooms are at ground level, clustered in twos or threes, each with its own bathroom under a common roof, in structures made to look like local houses, built of coral and roofed with palm leaves (cadjan) often with some longer-lasting roofing material underneath. Common facilities are housed in a central complex, again designed in keeping with local buildings. Every resort has its own generator, water supply, radio-telephone and more or less sophisticated mooring facilities. Sewerage disposal is usually by means of septic tanks for each cabin. Resorts have their own motor boats to transport guests, staff and goods to Malé and Hulule, usually open Boston Whalers. There are no beach facilities on Malé, hence the brevity of the average tourist's visit to the capital island, if a visit is made at all.

Much thought and care have been given to preserving the desert island atmosphere that tourists come in search of. There are no glaring architectural eye-sores; marine life is carefully protected and trees and gardens flourish around resort buildings. Tourists come to Maldives for sun and diving mainly. Most of the resorts offer excellent facilities in water sport, such as surfing, snorkeling, water skiing apart from skin diving and deep sea fishing.

Tourism is expected to be given a boost when the Hulule Airport Project is completed at the end of this year when a longer runway to accommodate aircraft such as Boeing 707, Air Bus and TriStar will be available.

The terminal building will be capable of handling 150 passengers in an hour and there will be duty-free shops including book shops, restaurant, post office and banking facilities. Facilities for aircraft, with a fuel tank capacity of 3,000 cu. metres, will be available. Water supply will also be available.

## FOREIGN INVESTMENT:

The Government encourages foreign investment by offering incentives such as import duty exemption up to 10 years depending on nature and volume of investment and repatriation of capital and profits. The response from foreign investors up to now has not been very encouraging and this could be as a result of the cost of energy in the Maldives and the non-availability of skilled and semi-skilled labour. However, foreigners have invested in transport, tourism, and in some light industries where energy consumption is low.

The Government is actively trying to get investors interested in Gan—the former R.A.F. Staging Post at the southern end of Maldives—to reactivate the island commercially. Gan Island has an air strip of 8,700 feet by 150 feet, which could be extended by another 5,000 feet filling in shallow areas inside the reef. Gan also has port facilities with one concrete off-loading jetty of 408 feet by 43 feet handling ships up to 15 feet draft and a steel built fuel jetty for off-loading tankers with a reinforced concrete jetty 392 feet by 8 feet. The bulk storage consists of 6 large tanks and 6 slop tanks capable of storing over 2 million gallons. The power house has 7 diesel generators with a full load rating of 250 KW.

Apart from these, there are 330 buildings on the island which are typical of an air base design, 76 barrack buildings to accommodate over 1,000 people. In addition, there are 8 messes equipped with hot plates, boiling pans, fish fryers, water heaters and other kitchen paraphernalia which includes 3 cold stores fitted with compressors and cooling plants. Sport facilities include a gymnasium, 3 tennis courts and one 18-hole golf course, cricket, hockey, rugby and football pitches.

For further details, please contact the Department of Tourism and Foreign Investment, Male', Republic of Maldives. Telex 66019 A/B Tourism MF.

## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

# Norcros bids for a less frenetic life

BY JOHN MAKINSON

**THE SIXTH** floor of an unprepossessing office block near Reading station, in Berkshire, is an unlikely headquarters for an industrial group with annual sales approaching £300m.

The offices house only about 60 people, of whom around half are secretarial staff, and the small scale of the operation illustrates the management approach of the company—Norcros Limited.

For Norcros, it is a new approach, designed to enable top management to spend more time on charting broad strategy and acquisitions while keeping a finger on the pulse of the group. And the strategy, which is aimed at promoting rapid growth, is itself a fairly recent innovation that represents a reversal of the previous approach.

Norcros comprises a bewildering menagerie of 36 individual companies, grouped into four broad areas of activity: construction, consumer products, print and packaging, and engineering.

Even within these categories, there is a high degree of diversification. The engineering operation, for example, encompasses 10 companies ranging from a manufacturer of giant cranes to a producer of air-conditioning equipment.

The principle of diversity is extended to the geographical spread of the group. Norcros owns a surprisingly profitable bulk carrier company in Canada, a manufacturer of wood-wool slabs in Singapore and 10 other subsidiaries dotted around the globe.

This medley of operations is largely the result of a strategy developed in the early years of



Mr. W. K. Roberts, managing director of Norcros. He must coordinate the group's 36 individual companies operating in diverse fields across the globe.

Norcros. The group owes its name to two villages near Scunthorpe, Normandy and Crosby. The area was the home of the Sheffield family, which founded what was then called the Norcros "club" and which is still represented on the Board through John Sheffield, the group's non-executive chairman.

The family's idea was to buy out private companies, leaving the owners in charge but retaining them of substantial tax burdens.

Norcros went public in 1958, a few months after the "club" was founded and continued for

10 years in much the same style. By 1966, however, Norcros had become aware of the penalties of trying to manage such a diffuse organisation and it completely changed its strategy, calling a halt to diversification and rationalising its activities into the present four divisions.

The period of consolidation ended in dramatic style in 1974, when the size of the company doubled by the £12m purchase of Crittall-Hope Engineering from the erstwhile Slater Walker group. Last year, Norcros executed a similarly impressive feat of digestion by acquiring H and R Johnson-Richards Tiles for £34m.

The two purchases demonstrated the complete reversal of strategy at Norcros, with the second one in particular completing the process. According to Ken Roberts, the managing director of Norcros, the assault on Johnson-Richards was the first time that the company had identified and pursued its quarry. Until then, acquisitions had cropped up as much by accident as by design.

Another major difference was that both these companies operated in areas where Norcros had existing strengths. By coincidence, they were also companies with dominant market positions, both in the UK and abroad.

Crittall claims to be the largest manufacturer of steel and aluminium windows in Europe. It dominates the market for curtain walling (in which windows cover an entire wall or even a building) and is well placed to meet the growing demand for double glazing. The company also makes replacement windows for homes and greenhouses.

Johnson Tiles claims to be the largest producer of domestic

ceramic tiles in the world and has the lion's share of the UK market. It has been able to cash in successfully on the do-it-yourself boom.

Both acquisitions fulfil Mr. Roberts' goal of becoming a significant supplier to the building and construction industries, areas in which Norcros has long maintained a presence. With the exception of the printing and packaging division, which forms a fairly coherent unit, almost all the group's activities are geared to these two sectors.

## Goal

Finally, both acquisitions had a strong presence overseas and served another Norcros goal of spreading risk by deriving at least 25 per cent of earnings from outside the UK. Partly because of dull domestic markets, this target will have been achieved with ease in the year to March 1980.

The effect of the two major purchases has been to lift Norcros' earnings off periodic plateaux. If the Johnson-Richards acquisition is included for the whole of 1978/79, on a pro-forma basis, pre-tax profits amount to £20.1m, which compares with £14.5m the previous year. On the same basis, sales increased to £275m from £180m.

Mr. Roberts accepts that this uneven earnings pattern is not entirely desirable and is continually seeking ways to even out the growth. To produce steadier profits growth at least in line with inflation, he proposes to continue with a policy of buying occasionally but in the grand manner, making use of the management's experience in developing acquisitions. "Ideally, we would add one third to our size

every few years," he says. Small purchases are too much of a drain on management time, Mr. Roberts believes.

The plethora of different companies has itself been an enormous burden on management resources. Even before the latest acquisition, Mr. Roberts and the Norcros finance director, Mr. Terry Simpson, were "running around like blue-bottles trying to take care of it all."

The group has a well-tried policy of recruiting business school graduates and easing them gradually into main-line management after an often brief spell at head office.

Wherever possible, senior appointments are made from within the group.

Even so, the Norcros Limited Board was until recently finding it difficult to look after so many subsidiaries and decided to introduce an entirely new management structure. A new company has recently been created, called Norcros Industry, to which the shares of all group trading companies have been transferred.

A wholly owned subsidiary of Norcros Limited, the new company is responsible for all aspects of group operational management. The Board of the new company includes Mr. Roberts, who acts as chairman and managing director, Mr. Simpson and Robert Gee, the group secretary. In addition, there are seven divisional managers, representing both UK and overseas operations, each of whom has had experience of running a Norcros subsidiary.

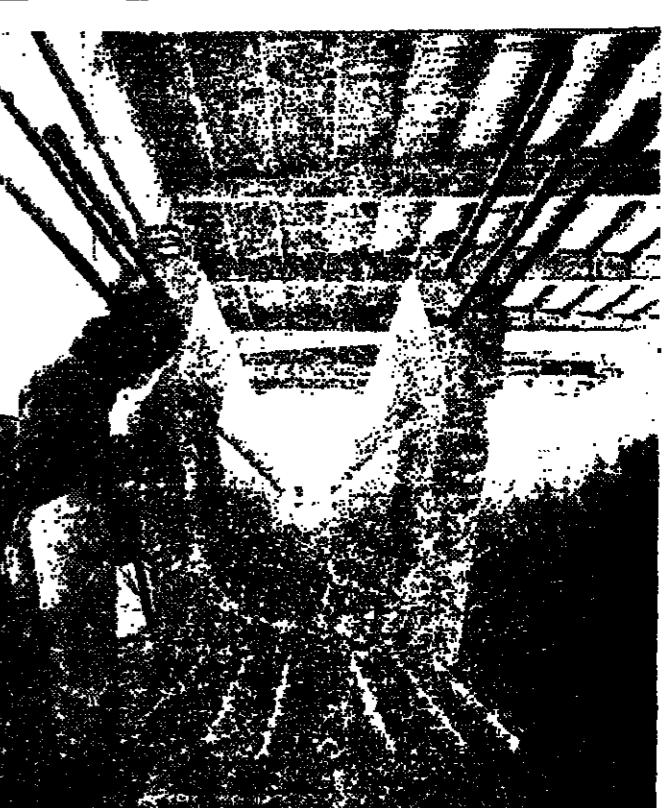
This 10-man Board makes recommendations to the parent Board on any matter relating to profitability and future growth. The Norcros Limited directors take decisions on overall strategy and approve budgets.

## Closure

One notable recent problem is Hygena, the kitchen furniture producer. It has seen its market share drop from 20 per cent to 6 per cent over recent years. The company was producing too many separate ranges and misjudged the pattern of demand.

Now, a factory closure later, and with a smaller, integrated range, Mr. Roberts believes that the company is back on the right track.

Mr. Roberts' view that "power is with the subsidiaries and



Production of pre-cast and pre-stressed concrete beams at Dow-Mac Concrete, part of the Norcros group.

transmitted to Norcros—not the other way around" is illustrated by the group's treatment of its two recent acquisitions.

Both companies were being run from group headquarters on a day-to-day basis, which Mr. Roberts believed made management unwieldy and inflexible.

Crittall Hope now comprises eight units with an aggregate turnover of £65m. The "small

diverse" of the group does have its advantages, even though there is no obvious counter-cyclical balance between the divisions. Temporary problems, such as Hygena, can be supported by the remaining operations and experience learned in one subsidiary can often be applied to a different product area.

Norcros now looks a much more logical company than it did 14 years ago, when the strategy of the group underwent an upheaval. Mr. Roberts believes that, with Johnson Tiles under its belt and a new management structure in place, the company is "set fair for a surge forward."

The problem, however, is to ensure that the periodic surges created by acquisitions are backed by consistent organic growth.

## Business Telecomms

### A Technology Review for Senior Management

London Press Centre, 18-19 June

Organised by Online in conjunction with Logica and with the co-operation of the British Post Office and TMD. Authoritative speakers from the British telecommunications industry will provide an up-to-date appraisal of major issues of concern to those responsible for the development of corporate telecommunications activities.

This conference will be of vital interest to all senior managers, DP managers, administration managers and office managers.

#### Topics to be covered:

- Office Communications
- Intelligent Workstations for Electronic Mail
- Telex, Teletex and Message Switching
- Local Site Networks
- Local Private Exchanges
- System X

#### Public Data Networks

- Cost Effectiveness of International Business Telecommunications
- Business Opportunities with British Telecommunications
- Business Strategy for the Electronic Office

#### Zero-Base Budgeting at its Best

- J. E. Connell and others in Management Focus (USA), Nov/Dec '79; p. 26 (8 pages, illus.).

#### Managing Stress Means Managing Time

- R. S. Schuler in Personnel Journal (USA), Dec. '79; p. 551 (4 pages, table).

#### Leasing: the Cash Flow Myth

- G. Hubbard in Management Accounting (UK), Feb. '80; p. 24 (3 pages, tables).

#### It's Right for You, it's Wrong for Employees

- C. L. Hughes in The Personnel Administrator (USA), Dec. '79; p. 39 (5 pages).

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LOMBARD

# Curiouser and curioser

BY KENNETH MARSTON

HERE ARE some strange things going on. This time a year ago those who were looking for a way of protecting the value of their savings from the ravages of inflation and at the same time, of making a profitable investment found at least one way out.

They bought gold at around \$270 per ounce and — hey presto! — the price reached a peak of \$830 in January of this year and after boiling over is now still-around a respectable \$600.

But whereas a year ago there was a general consensus of opinion that the price of gold seemed likely to rise, people are now not too sure about its near term course, at least. However, they do feel that with world recession beginning to bite, prices of the other metals and of shares in the companies that produce and use them could lose ground for a while.

## Reasonable

In their latest review of the big Rio Tinto-Zinc international mining and industrial group, stockjobbers Purnell Gordan say: "For the moment we believe the mining sector is best avoided especially in the light of slackening metal demand by the summer. Despite RTZ's obvious longer term attractions, more active funds should consider reducing holdings on short-term strength."

On the face of it, a reasonable conclusion. But with inflation galloping along at over 20 per cent the "more active funds," not to mention ordinary folk like you and me, who cash in their shares, will still see the value of the resulting paper money depreciate despite high interest rates. Curiously, it seems to be a case of heads you lose, tails you don't win.

Another curiosity arising out of this combination of inflation and recession is that if prices of leading mining shares do lose ground over the coming months they will be doing so at a time when inflation is driving still higher the value of their paid-up assets.

RTZ, for example, is valued at some £900m in terms of its current share price, whereas the group's successful Bougival copper-gold mine alone would cost upwards of £500m to develop if work on it started today.

If you were to set a value on the group's many other income-producing assets it would be several times the current market capitalisation. The same is true of other leading mining companies.

Well, you may say that there is nothing new about shares standing at a discount to asset values, even though the discounts are probably now larger than is normal. You may argue, with justification, that it is earnings that count.

IT RTZ were to reduce its dividend (and this is unlikely) the high value of the group's underlying assets would cut little ice in a frigid share market.

But there is more to it than that. For a start, mining companies have first to find their mineral deposits, then to finance them and finally to bring them to production. None of these tasks is easy.

This supply-demand picture can mean only sharply higher metal prices in the future and, indeed, these will be required to justify the development of the next generation of high capital cost mines.

For the long term, therefore, good-class resource stocks remain a sound investment. For the near term . . . well, it is rather like a Dutch auction where the crowd is offered a transistor radio for £30 but knows very well that the asking price will gradually be lowered until somebody accepts. And lurking in the background is a pick-pocket called inflation.

## Better bet

There is a simpler approach to the problem which will probably be adopted by those of us who are unskilled in the necessary arts and who have other things to think about. It is called the philosophical-doing-and-sleep-at-nights ploy.

It carries no health warning.

Followers merely have to remember that if a good-class security was originally acquired for the long-term view and if that view has not changed, it doesn't really make much difference.

Assets in the form of readily available metal in the ground still look to be a better bet in the long run than paper money in the bank.

## 5.55 Nationwide (London and South East only).

6.20 Nationwide.

6.30 Wednesday Film: "Can-Can" starring Frank Sinatra and Shirley MacLaine.

9.00 News.

9.25 The Risk Business.

10.00 Sportnight.

10.50 Target.

All Regions as BBC1 except as follows:

Cymru/Wales — 5.55-6.20 pm Wales Today, 6.50-7.15 Headline Test (continued), 7.35 Regional Play School (except London), 8.55 Play School (As BBC2 11.00).

9.25-10.00 Eisteddfod yr Urdd.

11.40 News Headlines, 11.44 The Risk Business, 12.19 am News and Weather for Wales.

Scotland — 1.10-1.15 pm The Scottish News, 5.55-6.20 Report-

ing Scotland, 11.40 News and Weather for Scotland.

Northern Ireland — 5.35-5.55 pm Northern Ireland News, 5.55-6.20 Scene Around Six, 11.40 News and Weather for Northern Ireland.

England — 5.55-6.20 pm Look East (Norwich); Look North (Leeds; Newcastle); Look Northwest (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

**BBC 2**

6.40-7.55 am Open University.

10.20 Għar Ħajnej.

11.00 Play School.

4.00 Cricket: England v The West Indies.

6.55 Swim.

7.20 Mid-evening News.

7.30 Chronicle.

8.00 Mid Movie: "Games of Love and Loneliness," 10.35 Dance Month Preview.

10.45 Newsnight.

11.30-12.05 am Cricket: England v The West Indies (highlights).

## LONDON

9.30 am Homeground, 9.55 A Big Country, 10.20 Leave Cape Horn to Port, 11.05 Project U.F.O., 11.55 The Bubbles, 12.00 Croppa Castle, 12.10 pm Rainbow, 12.30 Cameras: Early Photography, 1.00 News plus FT Index, 1.20 Thames News, 1.30 Take the High Road, 2.00 After Noon Plus, 2.45 Fantasy Island, 3.45 Square One, 4.15 How the Hedgehog Grew, Larger, 4.45 Breakers, 5.15 The Brady Bunch, 5.45 News.

6.25 Coronation Street.

7.15 European Champions Cup Final: Nottingham Forest v S.V. Hamburg, 9.30 All Kinds of Dana, 10.00 News.

10.30 Medical Ethics.

11.30 Wheels.

12.00 Thames Arts.

**RADIO 1**

5.00 am News Summary.

5.45 Fox, near dry conglomerate (7)

6 Directly blunt and aimed without allowance (5-5)

7 Confessed about learner in jargon (5)

8 Tuft note under list (6)

9 Incandescent cloak? (6)

10 Praise the full number we hear (10)

11 Gas mixed yet clean on top of ether (8)

12 Disturb a French bunch (8)

13 Soldier in uniform (7)

14 Hard as bread and wine may be (6)

15 Puts up or finishes in wonder (6)

21 Cannot even shortly make a mess (7)

22 Not in after pre-eminent building ceremony (7-8)

23 Instrument used in early recordings (4)

27 Coin musical composition (5)

28 Becoming concealed in dead bouquet (9)

29 Bird making communists bitter (3-5)

30 Soldiers give way and withdraw (6)

## ACROSS

1 A little sweet (6)

4 In favour of model toaster (8)

10 Go along with airman and crew (8)

11 Paint badly — being unqualified (5)

12 Gain audio receiver and pole (4)

13 Cook getting intoxicated is impervious to vapour (10)

15 Drink came into being from flower (3-4)

16 Young woman with a right for currency (6)

17 Soften or harden self-control (8)

20 Underwear put in tray in burlesque (8)

21 Innate about vehicle being personified (9)

23 The French politician may be (9)

24 Solution to Puzzle No. 4,281

25 Coin musical composition (5)

26 Becoming concealed in dead bouquet (9)

27 Bird making communists bitter (3-5)

28 Soldiers give way and withdraw (6)

29 Daffodil (4)

30 Fox, near dry conglomerate (7)

31 Directly blunt and aimed without allowance (5-5)

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# FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY  
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Wednesday May 28 1980

## Mr. Reagan's chances

**MR. RONALD REAGAN** is now virtually certain to be nominated as the Republican candidate for the Presidency in this year's US elections. Given President Carter's frequently low ratings in the opinion polls and the weaknesses of the Carter record in office, the possibility of a Reagan victory in November must be taken seriously.

### Disadvantages

The former Governor of California starts off with a number of well-known disadvantages. The first is his age. Mr. Reagan is 69. The second is his reputation as a one-time movie actor which is not generally reckoned to be the stuff of which American Presidents are made. The third, and most serious, concerns a whole range of policies and attitudes. Mr. Reagan is not only avowedly well to the right of the political spectrum; he also has a tendency to shoot from the hip and to oversimplify. It is not easy to imagine, for example, that the U.S. could resolve its energy problems simply by abolishing the Department of Energy and by giving full rein to the oil companies, as Mr. Reagan has recommended. It is not entirely comforting either to imagine him in charge of American foreign policy.

Yet, in a race against Mr. Carter, he also has assets. It is absurd to dismiss Mr. Reagan for his cinematic background as it is to dismiss Mr. Carter for having been a peanut farmer. It smacks of intellectual snobbery. Mr. Reagan was twice elected Governor of California, a complex and populous state by any standards. He won the reputation of being ready to listen to advice and able to run a team. He did not always do in office what he promised, or threatened, in his campaign.

Moreover, for all the accusations about laziness, there can be very little doubt about his motivation. Mr. Reagan twice sought the Republican nomination before: in 1968 and again in 1976 when he almost toppled the incumbent, Mr. Gerald Ford. He is a formidable politician who clearly wants to win.

## The future of Inmos

**THE GOVERNMENT** cannot delay for much longer the decision on whether to provide Inmos, the micro-electronics venture set up by the National Enterprise Board, with the second £25m tranche of public money. Sir Keith Joseph, Secretary for Industry, may be hoping for some enlightenment when he visits electronic companies in the U.S. this week, but no doubt the advice will be just as conflicting as it has been in the UK. Any hopes that General Electric Company, Britain's largest electronics group, would solve Sir Keith's problem by taking over Inmos appear to have evaporated: discussions between GEC and the NEB have ended and are unlikely to be revived. Inmos was started under the Labour Government, but the new Tory-appointed NEB gave its blessing to the second £25m some months ago; thus Sir Keith's decision is bound to have an impact on the credibility and status of the NEB.

**Fast growth**

There have been two main arguments for going ahead with Inmos. The first is that the UK needs to devote more of its resources to high-technology industries, especially fast-growing sectors like micro-electronics. Because new investments of this sort tend to be expensive and risky, the private sector cannot be relied upon to finance them. There is a financing gap which the NEB is ideally placed to fill.

Unfortunately there is no way of proving whether this gap exists or not. A good many high-risk ventures have attracted support from the City. The fact that Inmos has not done so, despite the impressive credentials of the three entrepreneurs who conceived it, does not necessarily indicate that the City is wrong or short-sighted. It is undeniable that Inmos will be competing against powerful American and Japanese companies in an industry where the mortality rate among new ventures is high. It is a very speculative proposition. There is no way of justifying support from public funds unless it can be demonstrated that the national interest requires this particular micro-electronics venture to be set up in the UK.

This is where the second argument for Inmos comes in. It has been claimed that Britain's electronics companies will be at a disadvantage if they have to buy their micro-processors and other semi-conductor devices from overseas. So important is the "micro-chip" to the development of the end-

product that his potential assets outweigh his obvious disadvantages. He has no shortage of advisers flocking to his cause. On the economics side, Mr. Arthur Burns, Mr. Alan Greenspan and Mr. George P. Schultz are all there, each of them respected figures during previous administrations. A comparable list could be given on the defence and foreign policy side. There is no shortage either of candidates for the Vice-presidency—a crucial choice because of Mr. Reagan's age. Senator Howard Baker, Mr. George Bush, and even perhaps Mr. Ford are all possibilities.

Yet it is one thing to be ringed by advisers, and another to show that the advice is being heeded. Mr. Reagan so far has given very little idea of what he would like if elected. It is the image of the cowboy rather than the Governor of California that remains in the mind, and not only among non-Americans. The campaign for the nomination has done nothing to change that. Mr. Reagan is remembered because of his call for a blockade of Cuba; he has not advanced a coherent foreign policy. His economic thinking appears to stop at the demands for across the board tax cuts and less bureaucracy. He could be exceedingly vulnerable in a campaign where he was asked to explain his policies in more detail.

### Opportunity

In the next few months Mr. Reagan will have the opportunity to say more precisely what he is offering and clearly his speeches will receive more attention. There will be those who will advise him not to abandon his narrow Republican base which has already brought him so far. There will also be an opportunity, however, to go wider and to seek support from those who do not normally vote Republican. Mr. Reagan could take the initiative now by making a series of carefully prepared speeches on all aspects of policy. The chance of victory is there. He has yet to show that he deserves it.

**C**ONCERN IS mounting in the Midlands about the speed at which the economy is moving into recession. The latest survey of companies conducted by the West Midlands region of the Confederation of British Industry reveals a continuing fall in home demand, a decline in export orders, planned cuts in investments and a crumbling of business confidence.

"I doubt whether the Government yet appreciates the plight of manufacturing industry and the speed at which it is being destroyed," says Mr. Reg Parkes, chairman of Brockhouse and of the regional CBI.

Trade unions are expressing alarm at the spate of redundancy announcements, particularly in the depressed automotive industry, which accounts for more than one in six of the region's manufacturing jobs.

Renold is to close its Coventry motor components plant with the loss of 800 jobs; GKN Sankey plans to shed 930 jobs; Wilmot Breeden wants a reduction of at least 300 workers, and Lucas Electrical is still reviewing prospects for its 14,000 Midland employees.

To add to the gloom, several of the region's leading companies—GKN, Delta Metal, Cadbury-Schweppes and Brockhouse—all issued warnings last week about the deterioration of home markets.

The change in the business climate in recent weeks has been dramatic. Mr. John Warburton, director of the Birmingham Chamber of Commerce, says a survey of member companies in mid-March during the national steel strike demonstrated "a surprising but encouraging resilience with both home demand and exports holding up better than expected."

The sudden reversal of confidence came early in April. "The shutters came down quickly and markets have been sliding ever since," says Mr. Parkes. "The steel strike masked the downturn that was taking place."

According to one leading Midland banker, companies continued to place orders during the dispute as a guarantee against disruption.

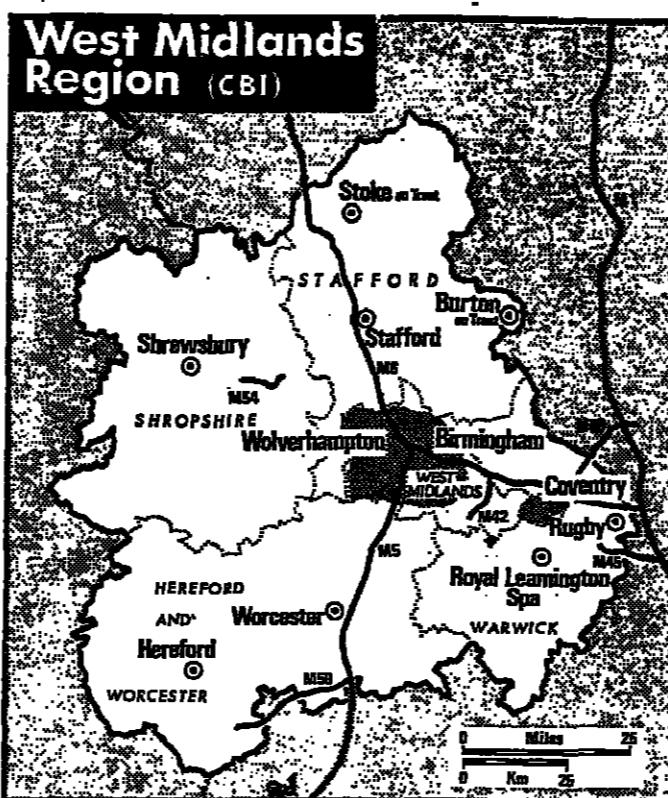
"Once the action ended, many managements round their stock higher than expected and reassessed their position against depressed home and export demand, record interest rates, rapid inflation and mounting pressure on cash flow."

The extent to which the present sharp fall in orders is due to de-stocking and therefore a partially temporary drop is a matter for argument.

Mr. Eric Swainson, managing director of IML, says: "In the first three months of this year there was probably home and optimism in the Birmingham area. Now that markets have started to turn down there could be some over-reaction."

The picture for IML with its broad range of interests is mixed with some markets, such as fluid power and building pro-

## West Midlands Region (CBI)



ducts, down and others unaffected. A similar pattern is reported at Glynwed, the Birmingham-based concern active in steel stockholding, industrial fasteners, bathroom and kitchen equipment and consumer durables.

Mr. Leslie Fletcher, Glynwed chairman, maintains: "The drop did not really begin to show until about four weeks ago, with the real impact falling on the High Street and consumer durables."

He points to the danger of companies panicking on the short term, thereby accelerating and deepening the move into recession.

The apparent drop in consumer spending is highlighted by Sir Adrian Cadbury, chairman of Cadbury Schweppes, where home sales have fallen below forecasts.

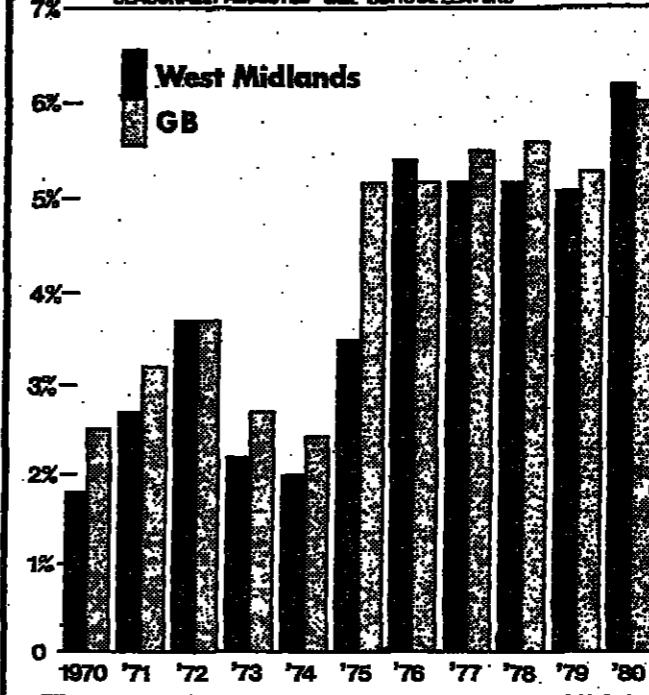
But the key factor determining

ahead in overseas markets. Companies now report that the strength of sterling in competitive export markets is posing problems while domestic sales have been hit further by the reduction in the number of tourists visiting the UK.

Activity in the engineering and metal bashing industries, where the bulk of West Midlands manufacturing is concentrated, has slowed. The engineering industry appeared earlier this year to have made some recovery from the damaging effect of the national two-day strike, again heavily dependent upon automotive components, is now working at less than half capacity.

Against such a background and with few companies prepared to forecast any improve-

## Unemployment Rates SEASONALLY ADJUSTED AND SCHOOL-LEavers



cent. masks the problems of depressed towns such as Wolverhampton at 7.5 per cent and Telford at 9.8 per cent.

Mr. Chris Walliker, director of manpower at Delta Metal and chairman-elect of the regional CBI, warns: "The major problem we are going to face is unemployment and the social problems it brings with it. The number of redundancies announced recently is really frightening and I think it will get worse."

He points out that the burden of unemployment is unequal, with the impact tending to fall upon the young, the less skilled and the ethnic minorities—a situation which could lead to social unrest in areas such as Wolverhampton and inner Birmingham.

Mr. Walliker expressed the fear of many Midland industrialists that the traditional staple industry was being eroded, with insufficient growth sectors to take up the redundant resources.

The region does provide some comfort, however, for the present government's emphasis upon incentives and opportunities for small business. Local estate agents report a strong demand for factory units of below 2,500 sq ft. Mr. Warburton of the Chamber of Commerce confirms that Birmingham's much-heralded small firms sector is indeed flourishing, but possibly to some extent by picking up orders subcontracted from large concerns which are rationalising production.

Unemployment figures for the West Midlands published last week showed a rise of 2,433 in the jobless to more than 145,000 at a time when seasonal factors should have caused a drop. The regional unemployment level of 6.2 per cent, though only marginally above the national average of 6 per

cent, masks the problems of depressed towns such as Wolverhampton at 7.5 per cent and Telford at 9.8 per cent.

Mr. Steve Rankin, director of the West Midlands region of the CBI, reports that many companies are re-examining their position and deferring all but vital spending. More serious for employment prospects is that capital spending is usually aimed not at raising capacity but at improving productivity and reducing labour.

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## MEN AND MATTERS

### Courting Jose long-distance

Diplomatic stops are being pulled out, I hear, to ensure that Industry Secretary Sir Keith Joseph meets all the right people on his visit to Mexico next week. For the moment he is booked to see his Mexican counterpart and "other ministers" but last-minute efforts are being made to fit in a visit to the most influential man in the country, President Jose Lopez Portillo.

So keen is the Foreign Office to arrange contact that hasty arrangements were made for Norman Cox, our man in Mexico City, to dine in Bermuda at the weekend with the presidential touring party, which had stopped off in the island en route from Europe to Canada.

There is justifiable concern that the president, who because of complex difficulties over protocol, bypassed London on the trip he has just finished around France, West Germany and Sweden, should be kept properly in touch with what Britain has to offer in the Mexican market.

Rustling votes

As the electoral B-movie of Reagan v Carter lumbers into its first reel, Americans on this side of the Atlantic are not being idle.

Yesterday a U.S. lawyer working in the heart of the City of London heard the good news that she too had scored a preliminary success. Mrs. Joni Lyett Nelson, 41, is one of two expatriate Republicans in Europe elected from six candidates as delegates to the Republican convention in July. Chairman of Republicans Abroad in the UK, and legal adviser to the

movement worldwide, Mrs. Nelson is convinced, on the basis of a study made a year ago that something like 60 per cent of Americans abroad will vote Republican: "I wouldn't have taken on the job otherwise."

She is also convinced that the 2m expatriates equivalent to the 14th largest American state, could and should make a significant difference this time round. One of her platforms is that the expats merit some kind of separate representation. Her other central concern is double taxation, a subject it would be unwise to broach with any American in London prone to depression. "I pay 50 per cent of my income in tax, and I'm a lawyer," says Mrs. Nelson with feeling.

However, on both fronts things are looking distinctly more hopeful. Until the end of 1978 expatriate Americans—already subject to Federal taxation wherever they lived—also found themselves subjected to state income tax if they exercised their vote. The democratic participation of Americans abroad tended, therefore, to be on the meagre side.

Chinese takeaway

Coca-cola and all that it implies has evidently gone to the heads of the Chinese. While health food has been the establishedfad for some time in the West, China is busy catching up with the delights of the TV dinner.

The rationale, apparently, is to "devote ourselves more fully to the country's drive for modernisation." It was estimated at a national scientific and technological conference in Peking that in each of 30m households in large and medium-sized cities, an average of three hours a day are spent on cooking. "This," observed a Government official, "is a waste of time that could be used for the good of the country."

The 174 food specialists and government administrators at the conference—the first of its

kind ever held in China—agreed that development of convenience foods on a large scale would not only save cooking time, but would also offer better nutrition. This is an argument I had not heard before.

Card from Hugh

The battle between the House of Fraser and Lomro, its largest shareholder, over increasing Fraser's net dividend by 2p, has been compared by certain unkind persons to a fight between your mother-in-law and her landlord: you don't really mind who wins.

This wholesale indifference is entirely lost on Lomro, whose defense of harangue and circular threats to denude the nation of pulpwood. Fraser has taken a considerably more demure line. Beyond issuing a circular urging shareholders to reject Lomro's argument when it put down a special resolution for the AGM, Fraser remained silent until yesterday, when a little printed postcard from Sir Hugh Fraser ploughed through my letterbox.

"You may receive," it says with quiet ridicule, "yet another letter from Lomro quite soon but, in any event you can be sure I will write to you to deal with any significant points." An elegant and economical riposte, Sir Hugh.

Dobbin

Financial Times Wednesday May 28 1980

# ITV's southern flank under attack

BY ARTHUR SANDLES

**ONLY** A few months ago the burning issue in the run-up to the ITV contracts reallocation—putting breakfast television aside for a moment—was speculation about who would be joining the race to topple Associated Television (the TV subsidiary of Lord (Lew) Grade's Associated Communications) from its Midlands area contract. The Midlands was thought to be the most tempting bait for the growing pack of potential bidders.

Now it seems the gossips were looking in the wrong direction. It is the prosperous pastures of England's south and south-east which have recently drawn the greatest attention. The defending contract holder, Southern Television, faces a considerable array of rivals. Six other companies are eager to take over the running of commercial television in this area, a rush which is matched only by that for the breakfast franchise and is far heavier than for any other of the present contract regions. Southern clearly has a battle on its hands.

It is not difficult to see why this area has proved such a magnet. Greatly enlarged for the new contracts, which start in 1982, it stretches from the rolling hills of Hardy country in the West, through a string of comfortably fat coastal resorts, past the urban and industrial sprawl of Southampton and then via bustling Brighton to the densely populated Medway valley. To the south its signal is largely of interest only to lighthouse keepers and mackerel schools, but to the north it nibbles into the Surrey stockbroker belt. It is an area which, as a whole, feels recession last and revival first.

So large is it, and so diverse, that the Independent Broadcasting Authority considered creating another separate region from the eastern-most portion. In the end the IBA

shied away from Kentish separation—in spite of “some local government representations”—due partly to the organisational and technical problems involved.

It seized on its own findings that the emphasis of “public demand” was “on local programming rather than on any need for a separate company” and has offered a dual franchise—one in which the programme company has to provide a degree of separate identity to differing parts of its area.

The IBA's decision to adopt this system comes after a decade of what it sees as the success of a similar experiment in Wales and the West with HTV. The killing of TWW and its replacement with HTV in 1968 was the bloodletting of that round of contract re-allocation and the fact that the Authority has introduced the HTV system in both the South and the Midlands areas in this

better than to quote the IBA itself.

The Bluebell Hill transmitter serves primarily the Medway towns and an area extending south beyond Maidstone, and eastwards along the North Kent coast to include Sittingbourne and the Isle of Sheppey. Its coverage also extends some way westwards into South East London.

Local authorities in the parts of Kent served by the station have indicated a desire for their areas to be served by the contractor covering the rest of the county; and there has been evidence from public meetings of a similar desire among viewers in considering the possible transfer of the station from the London ITV region. The Authority took account of the effects that the re-allocation might have on the ITV system. The station has a gross coverage of almost 1.5m people; but only 500,000—all in Kent—receive a better signal from the Bluebell Hill than from the main London transmitter at Crystal Palace, and not all of those choose to tune to Bluebell Hill.

If Bluebell Hill were transferred to the South of England region, it is unlikely that all its potential viewers would cease watching the London ITV service. The loss of revenue would not be likely seriously to weaken the London companies; and the loss for them would be partly offset by saving the costs of providing local coverage to the Bluebell Hill area.

But there is a great deal more to the temptations of the South than simply the addition of its eastern tip. Not least of this is that Southern's rivals see the incumbent as vulnerable in two fields—ownership and programming. Southern is owned by the Rank Organisation, Associated Newspapers and D. C. Thomson. For an

argument, one can hardly do current rethink would seem to bode well for HTV's retention of its franchise.

In order to create an area strong enough to sustain such a dual franchise, the IBA has taken away some of the London area audience and asked it to turn its eyes southward instead.

It has done this by removing the Bluebell Hill transmitter from what is now the Thames/London Weekend area and giving it to the newly named South and South East area. As to the arguments for this transfer, one can hardly do

more than repeat what the Authority which is putting itself to considerable inconvenience to sound out local views and has made no secret of its eagerness to encourage local participation in both creative and financial operations, this type of ownership may not be considered ideal. Southern has also consistently operated an “arms length” system with its controlling shareholders, and there is little doubt that the competitors will make great play of real or pretended financial democracy.

On the programme side, Southern is accused of being unadventurous, but in the past year national viewers will have seen the tip of the Southern iceberg with the *Worzel Gummidge* children's series—one of the finest things ever made by Southern and it has become

virtually overnight, a national institution, said chairman C. David Wilson in his annual report—and the drama series about the Army Spearhead.

In fact, as those trying to win the franchise away from Southern will discover, the company shows considerable flair for local programming. Day by day is a high quality news and current affairs series and Southern has involved itself in everything from Glyndebourne or sea angling. In making a bid a challenger may be able to claim the creative genius necessary for national headline grabbing programmes; he has greater difficulty in proving the ability to cultivate a local audience at flower show level.

The promises of course, will be made. British Rail Pension Funds and the Charterhouse Group provide the financial



## SOUTHERN TELEVISION

The defending contract holder serves an area of 6m people, which will rise to 6.5m under reorganisation for 1982. The 77-day strike of last autumn hit turnover and profits—1979

turnover was £24.8m compared with £29m in 1978; pre-tax profits dipped from £4.8m to £3m. Spending on programmes, however, rose by £2.3m.

Rivals see it as vulnerable in two fields—ownership and programming

## Letters to the Editor

### Public sector pay

From Professor A. Clunies-Ross  
Sir.—Samuel Brittan's scheme (May 22) for determining public sector pay is either a pay policy or it is nothing. If the X which he adds to the standard proportional wage change (for labour shortages, overwhelming social cases or exceptionally strong union coercive power) is fixed by rules interpreted independently of the particular negotiators, it is a pay policy.

If the X is simply whatever value the employing department or enterprise can agree with the unions, then the whole scheme is a mere guiding light, setting a minimum percentage rise in money terms, indexing any settlements to the extent of 40 per cent, but otherwise leaving us where we are minus only the nonsense of comparability.

Mr. Brittan even offers prizes for exceptionally strong union coercive power. That unfortunately is the effect of having no pay policy. Without rules to which public sector employers are firmly committed pay-setting becomes a trial of strength. Yet, because any unused pay code must compromise between the need to take account of labour shortages and productivity bargains on the one hand and the need to pay some regard to customary relativities on the other, the rules must have a degree of complexity and an arbiter body to interpret them in cases of doubt.

For the Government to have rules but to keep them secret, as suggested in your leader of May 20, seems no good expedient in a matter which people consider rightly or wrongly, to be concerned with justice. If there are two or three main considerations, it ought to be possible to formulate them in a way which can be publicly defended.

The main criticism of pay policies is that they distort labour markets. This objection is partly met if they allow for some adjustment to labour shortages. But I believe that all experience of negotiation in both public and private sectors, shows that it is out of the question to ignore customary relativities. That is inevitable whether rules are public and codified or not. I see no reason why better compromises or a better negotiating position should be achieved by rules which are vague or secret than by rules which are both clear and open.

(Prof.) Anthony Clunies-Ross,  
University of Strathclyde,  
Stenhouse Building,  
173, Cathedral Street,  
Glasgow.

**Hiawatha's timings**

From Professor C. Hooley  
Sir.—After reading Mr. Ian Hargreaves' interesting article (May 21) on American railways and in particular his remarks on the Milwaukee Road, one may perhaps be excused for looking back on the days of ones' childhood with some nostalgia.

In the 1930s the passenger traffic between Chicago and the two cities of Minneapolis (formerly known as St. Anthony) and St. Paul was handled by three competing railways—the Mil-

waukee, the Burlington, and the Chicago and North Western.

Following the announcement in 1934 that the Burlington was introducing an accelerated service through a new fixed formation Twin Cities Zephyr diesel train, the Milwaukee investigated the possibility of a comparable timing being achieved by a larger train with steam haulage. The feasibility of this proposal was established by a probing run between Chicago and Milwaukee with a standard steam locomotive, a speed of 103.5 mph being achieved on that occasion.

As a consequence, the Milwaukee introduced its Hiawatha train with a specially designed streamlined Atlantic locomotive. This was probably the first steam locomotive that was intended to run at 100 mph or over as a matter of routine; in fact, speeds of up to 120 mph were subsequently recorded during normal passenger service. Needless to say, the Chicago and North Western also responded by introducing an accelerated service. Apparently, moreover, the post-war diesel services of the Milwaukee never matched the Hiawatha timings.

These were stirring and exciting matters for us to read about. Is there anything comparable in this area today that generates similar excitement and interest?

(Professor) C. Hooley,  
Rushmoor Grange,  
Buckwell,  
Nr. Bristol.

**The age of the train**

From Mr. P. Cobbett.

Sir.—Protagonists of both rail and air travel should note that the battle between the two is hotting up.

The other morning my regular train (an HST) to Paddington, which runs parallel to the approach sometimes used by planes landing at Heathrow, visibly gained on, and finally overtook, an aircraft (admittedly turbo-prop) coming in to land.

P. Cobbett,  
23, Longfellow Drive,  
Abingdon, Oxon.

**Smothered in car fumes**

From Mr. N. Albery

Sir.—While walking uphill the other day, smothered in car fumes, I noticed for the first time that about 80 per cent of cars—the honourable exceptions being mainly London taxis and some foreign cars—have exhausted fumes on the pavement side of the car, belching out fumes at pedestrians, rather than on the road side.

Just as smokers have separate compartments on the tube, surely cars, at least in cities, should emit fumes towards other cars, rather than towards innocent pedestrians?

Nicholas Albery,  
Capel House,  
62, New Broad Street EC2.

**Boiling the thermometer**

From Mr. A. Horsnail

Sir.—The dramatic rise in sterling recently, tells us that there is something amiss with our carefully prepared policies in the UK. The sterling rise does not seem to coincide with tight money markets, slow funding of the public-sector borrowing requirement, a surge in parts of private-sector loans and an inflation rate significantly higher than in other major currency markets.

Money markets may remain tight in circumstances where new short-dated sterling deposits by overseas investors are siphoned out again into profitably arbitrage in “forward” foreign currency exchange positions. With UK imports and exports of well over £3bn a month, there is plenty of “arbitrage” to be had. The profitability and attractiveness of arbitrage comes about by the big differences in currency interest rates and the large spreads between “spot” and “forward” positions this creates. It is not a UK phenomenon, but a worldwide development since the start of floating exchange rates and the rise in Organisation of Petroleum Exporting Countries' money surpluses.

Therefore, industrial and

other private-sector finance borrowers in need are ready to find other funds and this may unfairly influence recorded data on borrowing. I am suggesting, from these two points, that lower interest rates could contribute to a solution of the bank lending problem by making arbitrage less attractive.

In the nature of our overseas trading and defence expenditure roles, the UK is dependent, for some of its public-sector funding, in world circumstances where we are all in debt to OPEC, on the Euro-currency markets and countries like Saudi Arabia. These loans can be made available with less volatility in currency and interest rate markets if we acknowledge two particular preferences of the OPEC investor. “Bills” are preferred to “bonds” for the short dates which apply and the maturity gain free of all withholding taxes. Governments in West Germany and Japan, recently, appears to be arranging their needs on this basis.

Regular issues in the UK of long-dated high coupon bonds cannot help the longer-term perspective for reducing inflation. This point has been made in your columns before by the economist at Standard Life Assurance and by Samuel Brittan.

As a simple-minded person, I have come to the conclusion that interest rates don't work well as the major tool of monetary policy. If lending is too high, then direct controls, as the U.S. Federal Reserve Board arranged, are faster acting, non-inflationary and equitable for all concerned. Interest rates are better seen as the indicator of demand and supply for loanable funds. If this view is meaningful, it could be unwise to continue to boil the thermometer as we are recording the patient's temperature.

A. G. Horsnail  
PO Box 648,  
Coppull Close, EC2.

**Shareholders rights**

From Mr. M. Battley

Sir.—May I add to Mr. W. Heymannson's letter of May 15. I have attended many AGMs, spoken at all of them, commented on proposals and the accounts, drawn attention to any interesting ratios, e.g. an audit fee being 60 per cent of the shareholders' dividend, and only on the very rarest of occasions have shareholders been willing either to support or dissent. I have however met harsh criticism, after meetings for exercising shareholder rights.

There is of course usually someone who is willing to propose a highly flattering vote of thanks to the chairman.

M. Battley  
5 Charlestown Road West,  
Dawport,  
Cheshire.

**Accounting for it**

Mr. D. O'Shea

Sir.—Mr. Eckersley's ignorance of the full symbolism of the Institute of Chartered Accountants' coat of arms (May 20) may be dispelled by an official explanation.

I prefer to regard the tableau, perhaps fancifully, as an allegory of the Rape of Truth by Spurious Accuracy.

Daniel O'Shea  
93, Palenell Park, SW14

clients produced recently by TMD Advertising.—“The only way the IBA can exert real pressure on the companies to maintain and improve their programme standards—one of the main reasons for its existence—is by ensuring that none of them can feel absolutely sure of keeping its franchise.”

“Equally, the only effective way of ensuring that is, to make at least one change each time the contracts come up for renewal. Not to do so would be tantamount to saying that it believed all the present companies are discharging their duties with uniform excellence and there is no room for improvement.”

“The authority must, therefore, be strongly tempted to sack at least one contractor, not only to keep the others on their toes but also to justify its own existence and its elaborate selection procedures.”

“There have been other, more cynical observers who have suggested that the introduction of a possible breakfast franchise and the manipulation of some of the present contract areas were simply attempts on the IBA's part to prove that all its thought and consultation had not been for naught. If the IBA system in 1982 is little different from that of 1974, then why did we bother with Annan and the continuing wrangle and debate on the future of broadcasting in the middle-1970s and the ensuing review in 1977? The truth is, of course, that the brew needs a stir now and then, even if the ingredients are not necessarily changed.”

Nonetheless the belief is that the IBA will be driven, perhaps by reason, and perhaps by psychology, to make some change. Regardless of the strength of the contenders in any particular case, the weight of export opinion is now swinging very much against such changes affecting the big five—

Thames, LWT, ATV, Granada and Yorkshire. They are the pillars upon which the ITV system is now based and companies whose experience and strength are going to be needed if a fourth channel is to be set up in the mid of a recession.

Among the smaller companies TMD believes HTV, Anglia and Southern to be fairly safe. Its spotlight for danger falls elsewhere, among smaller companies of varying strength. “Without wishing to appear ghoulish, the most vulnerable

contracts would seem to be those of Scottish, Tyne-Tees and Westward, for which there are at least two well-found challengers.”

There is one element of this debate which is often repeated but, nonetheless, is as worrying an aspect of the licence war as the fear of losing the contract—well almost—and so bears repetition. It is the fear of being forced into a marriage with one or more of the rivals. The IBA makes the award of a contract conditional upon changes in the financial or managerial make-up of any group, incumbent or not. The IBA makes the rules, and the biggest rule of all is that it will do what it sees to be best in the viewers' interests.

In each area much is going to depend on the skill of the various presenters but Southern Television must be groaning a little at the thought of having to make its case agains a larger gathering of rivals.

Estates, Albany Hotel, Birmingham, 12; Elbar Industrial, 20 Aldermanbury, EC, 10.30. E. Fogarty, Havenside, Boston, Lincoln, 2.15. Hinge Investments, 17 Harborne Road, Birmingham, 2.30. John Menzies, 22 Hanover Street, Edinburgh, 12.15. Phoenix Assurance, 45 King William Street, EC, 12. Rio Tinto Zinc, 16 Craven Street, WC, 11. Sun Alliance, 1 Bartholomew Lane, EC, 12.30. Sun Life Assurance, 107 Cheapside, EC, 12.30. Thomson T-Line Caravans, Park Hotel, Falkirk, 12. E. Upton, 175 Linthorpe Road, Middlesbrough, 11.15. Danish Bacon, Hyde Park Hotel, Cleveland, 7.30. Arthur Wood (Longport), Stoke-on-Trent, 12.

**GENERAL**

UK: Sir John Greenborough, CBI deputy president, addresses British Export Houses Association lunch, London.

Sir Alex Jarratt, Advertising Association president, presents British Rate and Data advertising awards, London.

Commonwealth Development Corporation annual report published.

Society of Architecture debates

“The design of popular housing would be better without architects.” Royal Institution, WI.

Prince Charles opens Mountbatten Wing of King Edward VIII Hospital, Midhurst, Sussex.

Mr. Len Murray, TUC general secretary, gives Granada TV lecture on “The Democratic Balance,” Guildhall, London.

Overseas: EEC Agriculture Ministers start two-day meeting, Brussels.

EEC Economic and Social Committee two-day plenary session opens, Brussels.

Irish new Parliament meets for the first time, Tehran.

Prince Charles opens Mountbatten Wing of King Edward VIII Hospital, Midhurst, Sussex.

Chairman Hu of China visits Japan.

# Kelsey leaps 79% midterm but cautious on outlook

# Grattan accounts qualified over treatment of VAT

FOR THE half-year to March 31, 1980, pre-tax profits of Kelsey Industries are up 79 per cent to £1.63m against £908,000 and the interim dividend is raised from 1.5p to 2.5p per 25p share.

However the directors warn that in view of the developing recession at home and abroad, they are finding it difficult to forecast results for the year. In 1978-9, the group produced pre-tax profits of £2.24m.

The increase in the interim this time should not be taken as an indication of a much larger distribution for the year but the board hopes to match last year's 4.5p final.

First half turnover amounted to £12.19m against £10.85m. After tax of £662,000 (£499,000) earnings per share are stated as 17.5p compared with 10.5p.

The increase in profit has been achieved by rationalisation, both in manufacturing and contracting, and the latter has also benefited from an exceptionally mild winter which has allowed more work to be carried out than usual during this period of the year.

Multicore Soldiers has formed a wholly-owned subsidiary in America—Multicore Soldiers Inc—and will shortly complete a new factory in Dallas, Texas, to supply the U.S. market where the group already enjoys substantial exports established over the past 30 years.

Kelsey's American distributors support the view that this development will enhance sales in their country.

The cost of the freehold purchase of the site, and the building and equipping of the factory, is being met from retained profits, but it is likely that start-up costs will affect profits in the second half of the year.

Activities of the group include the manufacture and sale of solder, soldering and audio accessories, sealants and mastic compounds and the business of industrial roofing and insulation contractors.

## • comment

Slowed last year by losses from a U.S. subsidiary, Kelsey Industries is off to a very strong start this year with pre-tax profits up 79 per cent. The shares gained 4p to 12.7p yesterday but still the prospective fully taxed p/e, if second half results only match those of the first half, is only 3.5.

The UK roofing contracting business is being slowed by the recession and the strength of sterling is hurting export sales of solder, sealants and audio accessories. A solder factory, due to begin production in the U.S. within three months, may remove some of the competitive pressure in that market.

The mild winter boosted first half contracting results so the group's customarily stronger second half may not materialise.

The prospective yield on the company's hope to match last year's final 4.5p net dividend is a reasonable 7.9 per cent—well covered on an historic accounting basis.

## HIGHLIGHTS

A new runaway pound continues to stun the markets and Lex looks at the impact of foreigners on the gilt-edged market. With Sterling putting even more pressure on the profits of companies Lex examines the latest trends survey from the CBI and discusses the way in which pressures are building up. Two troubled groups, BPC and Grattan Warehouses, come in for comment and Rowe and Pitman has staged yet another "market raid". Lex discusses the way that this and other topics are covered in the Take-over Panel annual report.

## Major reorganisation benefits Chloride SA

CHLORIDE, the 70 per cent owned South African subsidiary of the UK parent, turned a major reorganisation of its operations into a solid profit advance in the year to March 31, 1980. Pre-tax profit rose 1.9 per cent from R3.4m to R4.6m, while turnover was 16.9 per cent above at R8.1m (compared with R3.4m).

On the marketing front Chloride closed several of its own distribution points and replaced them with independent distributors. Closure of in-house branches resulted, according to the directors, a considerable saving of overheads.

On the production side installation of new lead furnaces and handling equipment contributed to significant operating cost savings.

In the commercial printing division, a major reorganisation programme at the main factory in Nottingham will soon be completed at a cost of £1.5m.

The group had capital expenditure commitments of £3.16m (£0.5m) at the year-end.

## P. Panto £232,000 in the red

A PRE-TAX LOSS of £231,875 is reported for 1979 by P. Panto and Company, the wholesale tobacconist, confectioner and toy distributor, compared with a £103,542 profit in 1978. Turnover increased from £25.28m to £27.22m.

Bank interest took £314,738 (£138,657), and there was a tax credit of £90,878 (£45,650 charge).

The final dividend, like the interim, was omitted. The total in 1978 was 1.6p. Earnings per 10p share are given as nil (1.57p).

The directors say the losses are mainly attributable to the company's three branches where large steps are being taken to rectify the situation—and to downturn in the toy trade and the rise in interest rates.

Benefits from the corrective actions being taken are not expected to be clearly visible until 1981.

At the interim stage, the company announced a loss of £58,510 (£92,583 profits).

THE ANNUAL report of Grattan Warehouses, the main order concern, reveals that the auditors, Arthur Young McClelland Moores and Co., have qualified the accounts in respect of the company's decision to change its accounting policy for VAT, which had the effect of increasing 1979-80 pre-tax profits by £1.97m.

The auditors say that in their opinion, the new policy is not appropriate because it is not in accordance with the accruals concept in SSAP 2.

Mr Michael Pickard, the chairman, tells members in his statement that the system adopted is one of the two used in the mail order industry since the Retailers Special Scheme was introduced and involves the payment of VAT on actual cash collected as against when the invoice is issued.

One of the other two independent publicly quoted mail order companies has accounted in this way since 1972.

"As our auditors are the same as the auditors of that company, we reached agreement on our charges and then, eight days before we were due to release our results, we were informed that they had changed their minds in these respects.

A significant amount of re-organisation and rationalisation is underway in the platemaking division, which ran into losses last year. The chairman says that although fairly substantial redundancy costs will not be fully covered by the consequent release of assets, a basis will be created for a more viable operation.

In the commercial printing division, a major reorganisation programme at the main factory in Nottingham will soon be completed at a cost of £1.5m.

The group had capital expenditure commitments of £3.16m (£0.5m) at the year-end.

Further investments have been made this year on the supporting services to the group's steel plant and these projects are nearing completion.

A programme has also been started for improving the efficiency of the re-rolling mills in the Midlands and this project, which offers worthwhile savings, should be finished by the end of 1980, the chairman says.

Plant in the engineering companies is being upgraded and the Anslow subsidiary is buying a new plant to compete in new areas of forging activity.

Following the reorganisation of the bedding and furniture interests and with the development of an improved and realistically priced range of products, Sunderland is now poised to make an improved contribution to group results given reasonable market conditions, the chairman says.

The group's penetration of export markets has been particularly encouraging and exports increased in 1979-80 to £22.49m, despite the strength of sterling.

The steel division increased exports by 73 per cent from £19m to £21m although margins were depressed in intense com-

petition.

For the year ended January 31, 1980, the group reported pre-tax profits up from £5.5m to £6.56m despite a second-half downturn from £2.56m to £2.42m.

CCA profit is reduced to £2.88m after adjustments for additional depreciation, £2.55m, cost of sales, £1.05m, monetary working capital £232,000 and £718,000

gearing.

The chairman repeats his warning that the effects of the steel strike will be a severe depression on 1980-81 profits.

Mr J. C. Sayers, the chairman, says that the effect of the steel strike will be a severe depression on 1980-81 profits.

The purchases were financed by the issue of preference and ordinary shares plus cash.

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## Companies and Markets

## UK COMPANY NEWS

## W. Pickles runs into loss and omits final dividend

THE FINAL dividend is being omitted by William Pickles and Co., which suffered trading losses in 1979 and faces recession conditions in the current year.

The increase in VAT and high interest rates led to extreme pressure on margins in the second half, and the textile manufacturer ran into losses of £339,781 for that period, against £100,894 profits last time. This left a pre-tax loss of £102,000 for the 1979 year, compared with profits of £417,000.

The passing of the final dividend leaves the unchanged interim of 0.2p net as the year's payment. A total of 0.4p was paid in 1978.

Mr Dennis Greensmith, chairman, says that although major sections of the company are now starting to produce reasonable profits, it is still too early to hold out too high hopes for the current year's results because of their continuing erosion by high labour and reorganisation costs.

It will not be until 1981 that shareholders can look for any significant improvement in the company's affairs, he adds.

However, the directors believe the company — reorganized, re-equipped and with additional management resources — has a potentially bright future.

Net profits for 1979 were boosted to £404,000 (£285,000) by a tax credit of £50,000, compared with a charge of £32,000. Earnings from 10p share are shown, down from 0.9p to 1.3p.

Turnover rose by £1,462 to £25,522.

The chairman says the reduction in anticipated sales volume last year had the effect of substantially increasing stock levels. Borrowing powers were increased last month enabling investment to continue and avoiding the necessity of offloading stocks quickly, but at a substantially reduced margin.

The high level of borrowings and reduced cash flow, eroded further by high interest charges, the virtual absence of temporary employment subsidy and pressure on margins, led to the company's bankers asking for fixed and floating charges, he adds.

The directors agreed to this

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available at present. Details are given in the annual reports or financial statements or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interiors-Assessors Spryers, Bass, Caravans International, General Stockholders Investment Trust.

Fins-Alfred Dunhill, Headlam, Saville and Coggins, International Paint, Montrose Investment Trust, New Throgmorton Trust, Takeda Chemical Industries.

FUTURE DATES

July 5

Brennall Beard

good return provided there was no further outside interference. Turnover for the six months was little changed at £1.67m, compared with £1.66m.

### Moran Tea maintains interim

The directors of Moran Tea Holdings have declared a maintained interim dividend of 5p per £1 share for the year ended December 31, 1979. The previous dividend payment was also 5p per share.

Although Assam is currently suffering from political disturbances, the estates are operating normally and manufactured tea is being sent to Calcutta without undue delay.

The subsidiary company traded profitably during the year although with the loss brought forward and provision for tax it was not able to declare a dividend, the directors say in their interim report.

In the UK, the sale of three properties is being negotiated while the work at the industrial development site in Manchester has been completed and letting arrangements have now received planning consent.

However, the impact of high interest rates is affecting the cost of developments, the directors add.

A crop statement by the Indian tea subsidiary for 1979 shows crop for the season was 2.56m kg (2.83m kg). Sales to the end of March were 64 per cent (68 per cent) of the crop of which 632,090 kg were sold in London at 130.34p per kg (133.12p kg at 121.88p per kg).

A total of 1.01m kg was sold in Calcutta at 88.91p per kg (107.70p kg at 74.22p per kg).

### Caledonian Offshore capital plan

At an extraordinary general meeting of Caledonian Offshore Company, shareholders unanimously approved a resolution giving the directors authorisation to call the uncalled capital of the company at the board's discretion.

Caledonian is currently in discussions regarding a participation in a consortium to make application for a block or blocks in the Seventh Licensing round of the North Sea.

So that the company is in a position to proceed with such a participation, the board has decided to call the remaining unpaid capital.

### Yearlings down 1%

The interest rate on this week's issues of local authority yearling bonds is 154 per cent, down from last week. Issued at 9912 they are redeemable on June 3, 1981.

The issues are: City of Liverpool (£2m); London Borough of Redbridge (£0.5m); West Yorkshire Metropolitan County Council (£0.75m); Aylesbury Vale DC (£1m); West Lothian DC (£1m); Tandridge DC (£0.25m); Blythe Valley BC (£0.5m); Crewe and Nantwich BC (£0.5m); Royal Borough of Kensington and Chelsea (£0.5m); Chorley BC (£0.25m); Gravesham BC (£0.5m); Vale of Glamorgan BC (£0.25m); North Bedfordshire BC (£0.5m); Kettering BC (£0.3m); Rochford DC (£0.25m); Rochester Upon Medway BC (£0.5m).

Alnwick DC (£0.1m); Chiltern DC (£0.5m); London Borough of Greenwich (£1m); Test Valley BC (£0.5m); City of Glasgow DC (£1.25m); Wigan Metropolitan BC (£1m).

North Devon District Council is raising £0.25m in two-year bonds at 158 per cent maturing on May 28, 1982.

### Features of the Fund

## The Local Authorities' Property Fund

### Year to 29 February 1980 — Highlights

- 5th Year of above average total return: 19.7%.
- Rents reviewed on 12 properties—compound growth 10.4% p.a.
- Further acquisitions in Banbury, Canterbury, Redhill and York.
- Developments in progress at Birmingham and Canterbury.
- Dividend increased by 11.2%.

Year to end-February 1976 1977 1978 1979 1980

Total Return % (capital + income) +19.5 +13.7 +24.3 +21.8 +19.7

Unit Value(p) 88.80 92.75 107.85 123.80 130.80

Dividend(p) 7.42 7.64 7.47 7.59 8.44

Size of Fund (£m.) 42.8 48.1 63.7 79.0 94.6

### Features of the Fund

- Total assets £94.6 million.
- Well-balanced portfolio of 78 properties — 83.6% freehold.
- Managed by LAMIT and available exclusively to local authorities.
- Monthly subscription dates.

Copies of Report & Accounts from:  
The Local Authorities' Mutual Investment Trust (LAMIT)  
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May 21, 1980

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## UK COMPANY NEWS

## BIDS AND DEALS

## £9.2m share raid on Anderson Strathclyde

BY PAUL CHEESERIGHT

Charter Consolidated, the London mining, industrial and investment house, yesterday raised the market and in less than half-an-hour acquired 10m shares in Anderson Strathclyde, the Glasgow mining equipment manufacturer, at 52p each.

This brought its stake up to 28.4 per cent at a cost of £5.2m. Charter had previously held 775,000 shares.

The market activity caught Anderson by surprise, although the prospect of Charter's intervention had been the subject of Stock Exchange rumours during recent weeks. Charter gave Anderson no prior warning of its intention to build up a holding.

There was no immediate reaction to Charter's move from Anderson yesterday afternoon and no company meeting had discussed the matter.

Anderson shares were trading at 74p in the early afternoon, before the purchase. They

moved to the offer price of 93p during the raid, and eventually closed at 75p for a net rise on the day of 3p.

The shares were bought through Rowe and Pitman, the brokers who earlier this year acted for De Beers Consolidated Mines in another swoop on the market to purchase Consolidated Fields' shares.

Charter is part of the Anglo American Corporation of South Africa and De Beers group of companies. Last year it was involved in a substantial shifting of assets among its group and the Anderson acquisition is its first major initiative since then.

It was emphasised yesterday that Charter has no intention of enlarging its stake. The group regards Anderson as an "important addition" to its industrial interests in an area of activity in which it is already involved.

Charter has a stake of about 5 per cent in Mining Supplies, another equipment manufac-

turer, and it owns Torque Tension, a drilling equipment and mine roof bolting systems manufacturer.

The group has already indicated its intention to develop its industrial holdings and to seek increased industrial earnings from the UK to balance its overseas mining investments.

Anderson's equipment is mostly destined for the coal industry, although it is also used in gypsum, phosphate and potash mining. It has sold equipment to Charter's Cleveland Potash mine and also to Anglo American Coal in South Africa.

In the half-year to last September it incurred a pre-tax loss of £1.4m. Two major strikes prevented the company from winning the benefits which might have accrued from a full order book. But the company predicted it would finish the financial year with profits matching the 1978-79 total of £4m.

It has thus laid itself open to possible disciplinary action by the Panel whose code states that shareholders who buy enough shares to trigger off a mandatory bid must make sure they can put such an offer into effect.

According to Saint Piran yesterday, Gasco wanted to make a general bid at 85p a share, the level required, but had so far been unable to raise enough money. It would, therefore, be wrong to expect any offer, Saint Piran added.

Both Aerolinas and Ruffec have denied that they are linked with Gasco, said a Saint Piran spokesman. These denials have been passed on to the Panel.

If the Panel does decide on disciplinary action, there is a whole range of sanctions which it can apply, including the sale of the Gasco holding. One or other of these will be brought into play if Gasco and the companies said to be linked with it decide not to appeal.

It found that Mr Jim Raper,

a former Saint Piran chairman, controlled some 37 per cent of Saint Piran through these three companies which had been

set up through a series of deals.

Gasco itself owns just under 30 per cent.

After its meeting on the subject last week the Panel has sent all parties involved a draft of its conclusions, following Gasco's inability to mount a bid.

Saint Piran's shares were suspended at 85p following the Panel's meeting, and the company has made representations to the Stock Exchange on this action.

If none of the parties appeals against the Panel's conclusions, they will be published next week. But there is no appeal on the three companies must make a bid offer.

Both Aerolinas and Ruffec have denied that they are linked with Gasco, said a Saint Piran spokesman. These denials have been passed on to the Panel.

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The Swedish Salen group for agricultural and insurance group, has bought the bulk of finance.

Mr Graham Ferguson Lacey's

near 30 per cent stake in Edinburgh General Insurance Services

were £753,000.

BRISTOL ERICKSON

Erickson Tool Company of Ohio, a wholly-owned subsidiary of Kennametal Inc. has acquired the outstanding 50 per cent interest in Bristol Erickson.

Bristol Erickson, of Bristol, manufacturers rotating tool systems for Europe. Erickson Tool, which already held a 50 per cent stake in Bristol, was acquired by Kennametal in January this year.

Anglo-Indonesian intends to remain in Sri Lanka, but to concentrate its investment on manufacturing and marketing agricultural machinery and hand tools.

Walker's was acquired by

Anglo-Indonesian in 1978 for the equivalent of £525,000. The consideration for the sale is £650,000 of which £250,000 is deferred for six months.

The purchaser has lent

Walker's £600,000 to discharge inter-company accounts of that amount, making the total invest;

KEW SALES

Kew Industri A/S of Denmark, manufacturer of high pressure water cleaners, has acquired its UK importers, Kew Sales of Penrith. The new Board will be headed by Henry Aitchison, a senior partner of Robert Mackie Son and Hall of Newcastle. Other directors are Christian Ostgaard and Mogens Hansen, of the parent company.

FURNESS WITHY

Furness Withy is expanding its

bulk carrier fleet. It has bought a second hand bulk carrier from

May 23 at 37p.

the managerial and financial strength to expand and take on an ever increasing share of the vast oil services market.

### Oil finance house

What we are building in KCA International is an oil finance house with subsidiaries or associates operating only in the Oil Services and Exploration Industries, all of whom will be active in those areas of the world where oil exists or is thought to exist.

The North Sea provided this country with the opportunity of developing an Oil Services Industry which because of its home base can develop worldwide, as many American oil service companies. Where there is oil the KCA group of companies intends to be.

The possibility for this development is real in that market conditions are right and it is the intention of your Board to take the opportunities offered, so that within five years your company will become a major British force in the Oil Services Industry comparable with the American giants with whom we already compete successfully.

PAUL BRISTOL Chairman

### Summary of results

	1979 £'000	1978 £'000
Turnover	18,860	19,147
Profit before taxation	2,677	2,742
taxation	(1,425)	(823)
Profits after taxation	1,252	

# MIDLAND INDUSTRIES

## Difficult Trading Conditions

	15 month period ended 31st Dec 1979	12 month period ended 30th Sept 1978
Turnover	£28,940	£20,843
Profit before tax	2,503	2,114
Earnings per share (annualised for 1979)	14.73p	15.99p
Dividends per share	3p	1.16p

"Trading conditions caused major problems to the company, due to the overriding results of national strikes in both the transport and engineering industries which affected our customers and suppliers in a very serious way and resulted in considerably increased operating costs to the company."

"Whilst conditions continue to be difficult nationally the main activities of the company are trading satisfactorily. The company will continue its policy of rationalisation, and expansion will be sought either through new markets in the company's current trading activities or by acquisition if the opportunity arises."

E. C. Mersland, Chairman

IRONFOUNDERS AND AGRICULTURAL ENGINEERS  
Heath Town Works, Wolverhampton, WV10 0QD



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For the six months May 27th 1980 to November 28th 1980 the Notes will carry an interest rate of 10 1/4% per annum.

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Fiscal Agent

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Now we have greatly increased the scope and flexibility of the IMM's foreign exchange markets with several important changes. Foremost among these is doubling the number of contract months

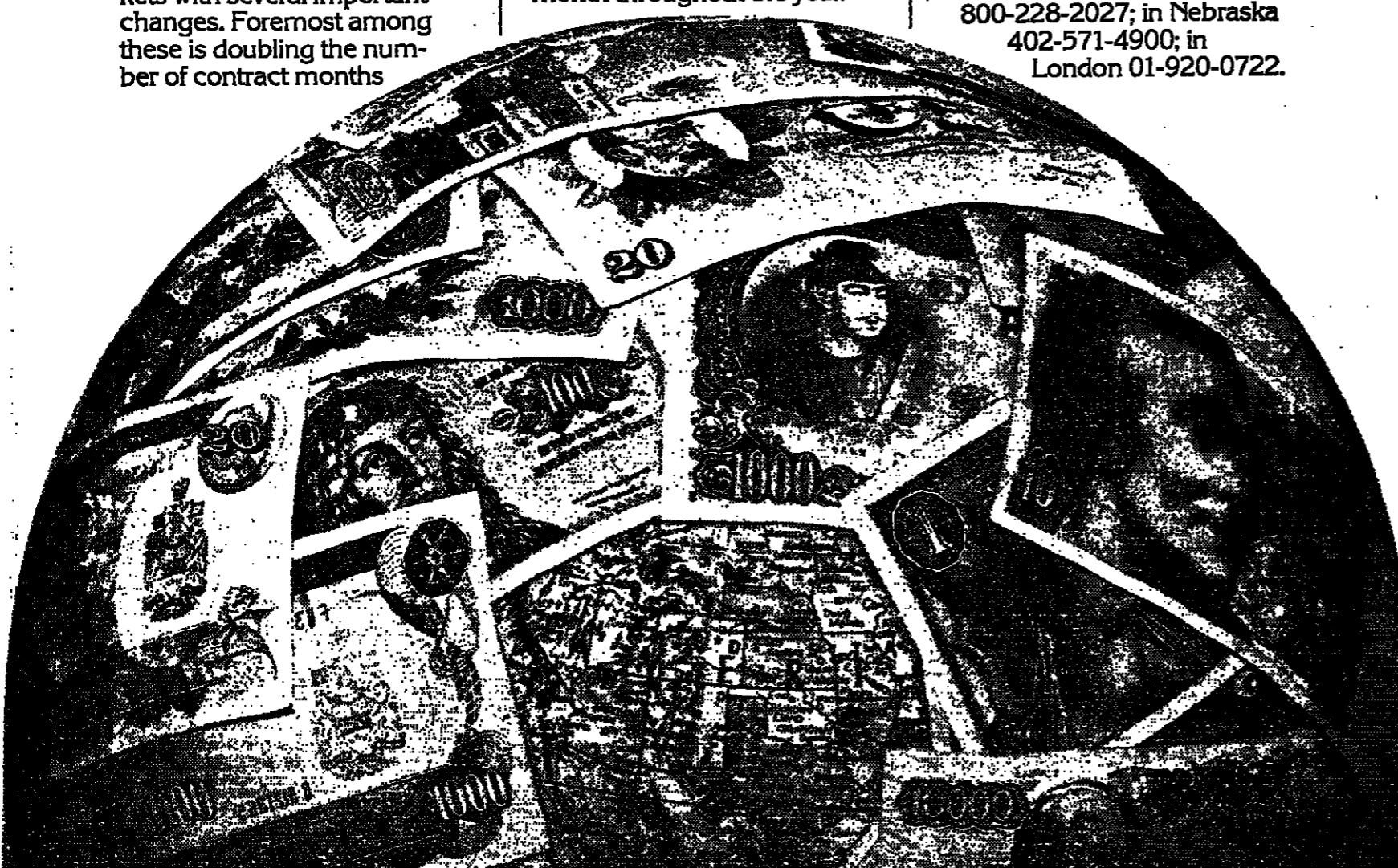
from four to eight per year. This will serve to expand the opportunities for banks, corporations and other traders engaged in hedging, arbitraging and spreading. The expanded schedule offers regular contracts for January, March, April, June, July, September, October and December.

In addition to the schedule of regular contracts, the four remaining months of February, May, August and November will be inserted in the "spot" month rotation, making it possible to trade in a current month throughout the year.

A spot month trades without daily price limits so it can constantly stay in line with world interbank prices, signifying the increasingly close relationship that exists between the IMM and the global foreign exchange market.

The business of the IMM is to respond to the needs of corporations, banks and individuals who use it. The transfer of foreign exchange risk to the IMM's futures markets has become an important aspect of doing business.

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Division of Chicago Mercantile Exchange  
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Companies and Markets

# UK COMPANY NEWS

## MINING NEWS

### Inco rules out major nickel expansion

BY PAUL CHEESERIGHT

INCO, the Canadian group which leads the international nickel industry, is to embark on a programme of diversification and is particularly interested in minerals which are not in the same business cycle as nickel.

This has been made clear by Mr. Charles Baird, the recently appointed chairman, in Toronto. He said, "Our basic commitment remains to the metals business but over time we are going to diversify somewhat, mainly through acquisitions and internal developments."

The policy of diversification reflects Inco's concern to see that the slump in corporate fortunes which occurred when it was caught with too much nickel on a sliding market in 1977-78 should not take place again.

"Our strategy is clear. With a market share at about 35 per cent world nickel capacity, we do not see the need to involve Inco in another big new nickel project," said Mr. Donald Phillips, the group president.

This caution was expressed against the background of uncertainty about future prospects. Inco is expecting a good second quarter and expects to have no trouble in equalling at least the 1978 figure for total annual profits.

Beyond the second quarter, things start to get murky," Mr. Baird noted. "For Inco, the impact of price changes falls on the bottom line since our costs are fairly constant."

Further, Mr. Baird seemed prepared to query the commonly held mining industry view that prospects in the medium term are excellent.

Although Inco has predicted an annual growth rate for the international nickel industry of 4 per cent, Mr. Baird raised questions of energy availability and the rate at which world economies are likely to grow as

reasons for his difficulty in predicting what is going to happen.

But nickel remains Inco's primary interest and about half its doubled exploration budget for 1980 will be spent on proving extra ores at Sudbury in Ontario and Thompson in Manitoba.

The remaining half of the budget—some C\$13m (\$4.73m)—will be spent on looking for other metals. "Uranium is a good example but we also have early-stage exploration projects in tungsten, chromium, gold and silver," Mr. Phillips said.

The group is being given considerable stress on its joint uranium venture with Canadian Occidental Petroleum, Wolfaston Lake in northern Saskatchewan. Both partners plan to spend C\$2m this summer on their drilling programme.

The agreement takes Rio Algoma a stage further down the road to the replacement of orders lost when, last year, Tennessee Valley Authority

signed a contract for 17m lbs

Values found so far are practicable for commercial mining and the limits of the deposit, which is near commercial operations of other groups, have not yet been established.

The uranium under contract to Korea Electric will be converted to natural uranium hexafluoride or natural uranium dioxide by Eldorado Nuclear, the Canadian state-owned uranium mining and processing group.

The uranium under contract to Korea Electric will be converted to natural uranium hexafluoride or natural uranium dioxide by Eldorado Nuclear, the Canadian state-owned uranium mining and processing group.

CSR has increased its holding in AAR to 97.5 per cent following the finalisation of a transfer of assets between AAR, IOL Petroleum and CSR.

Union Miniere has stepped up the development of the Thierry copper mine in Canada in an effort to increase output by 25 per cent to 100,000 tonnes of ore per month by early 1981. If

exploration efforts for deep deposits pay off, the new discoveries could prolong the mine's life by up to 15 years, Mr. Corbiau said.

Mr. Corbiau said, "The investment short-fall in mineral development during the past five years because of huge inflation in costs, instability in currency markets, low returns on existing investments, consequent lack of finance and hence general lack of financial incentive may well lead to supply shortages later in this decade."

Help from the oil companies for the mining industry in this context is both appropriate and timely, he said. The oil industry has the size and financial strength to enable it to take a long view, and is now looking to minerals as one means of diversifying away from the risks it faces as energy projects become larger.

The similarity in scale, the need for huge amounts of capital and the international nature of the minerals industry makes it relevant for oil companies, Dr. Barks said.

After identifying a number of general similarities between the two industries— notably that they both operate within the same political and economic environment and make use of broadly similar technologies—Dr. Barks pointed to one way in which closer cooperation is already developing. This concerns the energy sector.

One of the major fuel sources

that he expects to be developed on a large scale is coal, along with tar sands and oil shales.

He believes that both industries have an essential contribution to make to the development of these resources.

Three foreign groups have been invited to take an equity stake in the Philippines' first copper smelter.

The groups concerned are a consortium comprising the Japanese companies

Mitsui and Mitsubishi, another

Japanese consortium of Marubeni, C. Itoh and Sumitomo, and

Bilbao International Metals of Holland.

Mr. Constante Ventura, presi-

dent of Philippine Associated

Smelter and Refining, said that

foreign participation will be

limited to 32 per cent of the

operation's \$100m capital.

The \$250m smelter, which is

to be built on a turnkey basis

by the Marubeni consortium, is

scheduled to be in operation by 1983.

The conversion of the ore

driers at Greenvale is estimated

to take 18 months, with the installation of the coal-fired boiler taking some eight months longer.

Babcock Australia has obtained the

contract for the construction work

and Collinsville Coal is contracted to supply coal.

Yesterday's announcement

follows news earlier this year

that the Queensland Cabinet had

approved plans to finance the

project from internal sources.

Greenvale returned a profit for

the first half of the current

financial year to June after

several years of lossmaking.

Greenvale plan to reduce fuel costs

AUSTRALIA'S Greenvale nickel

and cobalt joint venture have

decided to go ahead with a

A\$45m (£22m) project to cut

fuel costs at their treatment

plant in Queensland, Australia.

The partners, Metals Exploration and

Freeport Minerals of the U.S.,

plan to reduce fuel oil consump-

tion by the installation of a new

coal-fired boiler and the

conversion of ore driers to coal

burners.

As a result of the project, fuel

oil consumption is expected to

be reduced by some 45 per cent

from the current level of 335,000

tonnes per year.

The partners envisage a substantial saving in

operating costs, which should

improve the competitiveness of

Greenvale as a nickel and cobalt

producer.

The conversion of the ore

driers is estimated to take 18

months, with the installation of

the coal-fired boiler taking some

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several years of lossmaking.

Highlights from the Statement by the Chairman, Mr. Peter Buckley:

● Dividend up 26.1% and still covered 3.9 times by earnings.

● New U.S. partner provides the opportunity to utilise our joint expertise on a worldwide basis.

● Active pursuit of new product and process introductions in the UK.

● Investment and expansion is envisaged from a sound base.

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## UK COMPANY NEWS

### MINING NEWS

### Oil industry likely to aid mining

OIL COMPANIES are likely to play an increasingly significant part in the development of the mining industry over the next decade, according to Dr. Jack Barks, a director of BP. He told a conference which began in London yesterday on the National and International Management of Mineral Resources that the oil industry is in a position "to provide the strong capital base that is now required by the minerals industry."

Dr. Barks, who was delivering the fifteenth Sir Julian Werner memorial lecture of the Institute of Mining and Metallurgy, said that "the investment shortfall in mineral development during the past five years because of huge inflation in costs, instability in currency markets, low returns on existing investments, consequent lack of finance and hence general lack of financial incentive" may well lead to supply shortages later in this decade."

Help from the oil companies for the mining industry in this context is both appropriate and timely, he said. The oil industry has the size and financial strength to enable it to take a long view, and is now looking to minerals as one means of diversifying away from the risks it faces as energy projects become larger.

The uranium under contract to Korea Electric will be converted to natural uranium hexafluoride or natural uranium dioxide by Eldorado Nuclear, the Canadian state



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Group**

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Mr EW Hunt, Chairman says:

Results for half-year to December seriously affected by national engineering strike.

Turnover at £10.13 million marginally down on corresponding period, but pre-tax profit reduced to £208,000 by accelerating inflation and high cost of borrowings.

As a consequence of the continuing difficult trading conditions, the Group is carrying out a rationalisation of all manufacturing facilities, together with a thorough cost-cutting exercise. Manufacturing to cease at Miles Platting works (Hunt-Wes) but products from that company, together with respective sales and engineering teams, will be moved to other Group subsidiaries.

The company will start 1980/81 with considerably reduced overheads and operating expenses while maintaining production of the existing lines of equipment.

Interim dividend 0.3575p share, similar to that paid last year.

Subject to any unforeseen circumstances, the Directors intend to recommend the maintenance of the final dividend.

Hunt & Moscrop (Middleton) Ltd, PO Box 36, Aplex Works, Middleton, Manchester M24 1OS.

This Advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

**D. M. LANCASTER LIMITED**

(Incorporated under the Companies Act 1948.)

Registered in England No. 536211)

#### SHARE CAPITAL

Authorised £750,000 Divided into 15,000,000 Ordinary Shares of 5p each

Application has been made to the Council of The Stock Exchange for the issued share capital to be admitted to the Official List.

Particulars relating to the Company are available in the Excel Statistical Service and copies of the Statistical Card containing such particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 12th June, 1980, from—

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63 London Wall, London, EC2M 5QQ.

**WATTS BLAKE BEARNE**

& COMPANY LIMITED—NEWTON ABBOT.

Mr. C. D. Pike, Chairman, reports.

#### Continued profit improvement

Other points from the Annual Report:

- \* Pre-tax profit up from £3,015,718 to £3,508,394.
- \* Dividend increased by 15%.
- \* Scrip issue of one Ordinary Share for every four held.
- \* Home sales of ball clay in the main remained constant; export sales increased by just over 10%.
- \* 1980 has started well although we expect a modest deterioration in trade throughout the world, with little hope of a positive revival before 1982. We shall use any slack period ahead of us to good account and do our best to maintain our profit growth record.

Annual General Meeting: 6th June 1980



WATTS BLAKE BEARNE & COMPANY LIMITED

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1979/80	Company	Gross High Low	Price Change	Div (p)	Yield %	P/E
99 60 Airsprung .....	63 -1	6.7 10.8	3.7			
50 26 Armitage and Rhodes .....	34 -1	3.2 11.2	2.21			
278 185 Bardon Hill .....	290 -1	1.1 10.8	8.31			
100 63 Bawden Ord .....	78 -1	15.3 19.8	—			
125 88 Frank Horsell .....	93 -1	5.0 5.4	10.2			
128 99 Frederick Parker .....	123 -2	7.3 6.4	7.6			
156 102 George Blair .....	98 -1	12.8 13.1	4.51			
153 82 Jackson Group .....	73 -1	12.1 17.1	4.31			
200 242 Robert Jenkins .....	105 -1	7.2 6.8	9.2			
232 175 Torday .....	13 -1	0.8 6.5	2.51			
34 17 Twintech Ord .....	72 -1	12.0 16.7	10.2			
50 20 Unilock Holdings .....	48 -1	2.8 5.4	9.6			
56 45 Unilock Holdings New .....	83 -2	4.4 4.7	6.2			
99 42 Walter Alexander .....	210 -2	12.7 5.8	3.41			
210 132 W. S. Yeates .....	225 -1	14.3 6.4	5.91			

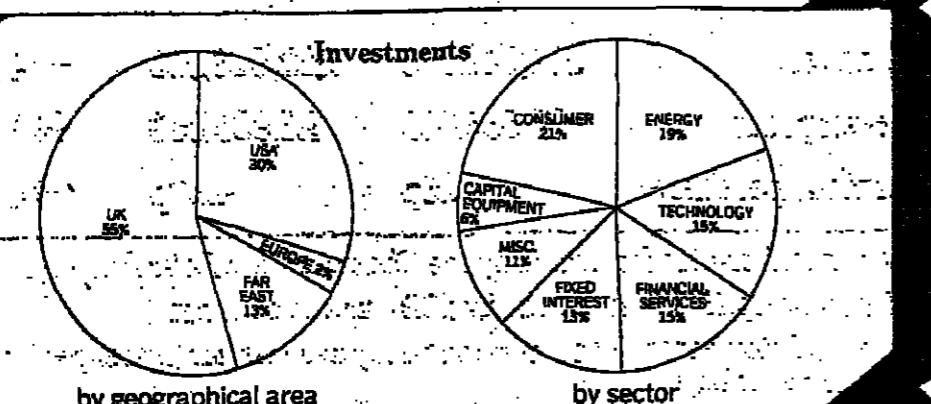
1 Accounts prepared under provisions of SSAP 15.

**THE SCOTTISH INVESTMENT TRUST COMPANY LIMITED**

Interim Report for the six months to 30 April 1980 (unaudited).

	30 April 1980	31 October 1979
<b>TOTAL ASSETS</b>	£134.1m	£128.0m
<b>NET ASSETS per unit</b>	132.0p	128.2p
<b>6 months to 30 April 1980</b>		
<b>GROSS INCOME</b>	£3.80 m	£2.83 m
<b>EARNINGS per ordinary unit</b>	2.22 p	1.68 p
<b>INTERIM DIVIDEND per ordinary unit</b>	1.70 p	1.25 p

Subject to unforeseen circumstances, the board expects to recommend a total dividend for the year of 4.30p, an increase on last year of 24% excluding, and 10% including, last year's backlog dividends.



Registered Office—6 Albyn Place, Edinburgh EH2 4NL.

**Companies and Markets**

## UK COMPANY NEWS

**CSI AND TAKEOVER PANEL**

### Shareholders rights the next issue

BY CHRISTINE MOIR

THE THORNY question of shareholders' rights is the next subject to be studied by the Council for the Securities Industry. Mr. Patrick Neill, the chairman announced yesterday when he presented the annual report of the CSI and the Takeover Panel.

The terms of reference of the study have yet to be finalised but one major issue will almost certainly be non-voting and restricted shares.

Pressure for the study has come from the National Association of Pension Funds which has recently expressed strong opposition to companies which issue different classes of shares.

The new study could result in the fourth major report from the CSI which has now completed its second year. Yesterday Mr. Neill referred to the council's report on the Department of Trade's method of carrying out company investigations and the code of practice deliberated last year.

The new Code of Conduct for Dealers in Securities was published yesterday. It differs little from the widely circulated draft code except that licensed dealers will now be permitted to deal in shares suspended on the Stock Exchange "short of making a market" in them.

The code also tightens the rules on conflict of interest by reminding dealers that where conflicts between their own and clients' interests arise they may have to refuse to deal.

The new draft code published last year, covering the responsibilities of issuing houses and brokers, sponsoring new issues, however, has been abandoned.

The draft was met by considerable criticism particularly on the grounds of being too detailed, Mr. Neill admitted.

Now a "statement" of a sponsor's general responsibility is to be added to the introduction of the Stock Exchange's "Yellow Book" of rules governing listed companies.

"Experience ... will show whether it is desirable to amplify the statement in the



Lord Shawcross makes his final report as founder-chairman of the Takeover Panel.

future," Mr. Neill said, adding later that he thought there would be a number of accretions to it by way of practice notes.

Lord Shawcross's final report as chairman of the Takeover Panel—he is to be succeeded by Sir Jasper Hollom, former deputy governor of the Bank of England—also raised a number of important issues.

One immediate concern is the need to redefine a local company. The Panel suggests that the new definition proceed by excluding non-resident companies. Non-resident companies are those "incorporated outside the United Kingdom" or where

old system, Lord Shawcross pointed out, the Bank of England could refuse permission for foreign interests to buy more than 10 per cent of a UK company. That potential sanction has now been removed.

A related problem arises from the need to redefine a local company. The Panel suggests that the new definition proceed by excluding non-resident companies. Non-resident companies are those "incorporated outside the United Kingdom" or where

the "head office and place of central management and control are situated outside the United Kingdom."

Irish companies listed on the Stock Exchange would continue to be classed as local companies.

Much of Lord Shawcross's report was devoted to problems arising from the build up of foreign interests in local companies, such as Consolidated Gold Fields and St. Piran.

Under the Companies Acts, owners of 5 per cent of a company's shares are required to disclose their interest. However, Lord Shawcross pointed out, the disclosure rules do not cover parties acting in concert which together have more than 5 per cent.

He called upon the Department of Trade to amend the forthcoming company legislation to cover such cases. He also demanded measures to "ensure that companies are not for long kept in ignorance of significant changes in the ownership of their shares by transferees deliberately delaying registration."

Another aspect of the Companies Acts which had proved inadequate, Lord Shawcross said, involved the details of disclosure. At present shareholders simply have to disclose the name of the interest holding the shares. "The answer may be true, but totally uninformative," he pointed out. True beneficial ownership may lie several stages behind the named company.

"United Kingdom companies might do well to include in their articles of association express powers to disenthrone from voting rights any shares held by intermediaries or others where the ultimate ownership was concealed or where the Panel has found there to be breaches of the Code in relation to disclosure of control."

The accounts of the CSI reveal an overall deficiency of £48,000 for the year to the end of March. The budget for the current year projects a surplus of £10,000.

However this could vary considerably and the Council warns that it may have to raise the levy from its current level of 60p per transaction.

## INSURANCE

### Regulations planned to fight hazards of polyurethane foam

BY OUR INSURANCE CORRESPONDENT

LAST WEEK polyurethane foam

figured twice in Ministerial pro-

nouncements to the Commons: on Tuesday, when Mr. Whitelaw,

Home Secretary, forecast new

regulations to control the use

of polyurethane foam-filled

furniture in shops and stores;

and again on Thursday when

Mrs. Sally Oppenheim, Minister

for Consumer Affairs, promised

new regulations on the flammability

of furniture upholstery to

protect us all from the consequences of fire in the home.

Say polyurethane foam is currently one of the villains of the piece commercially and domestically. Commercially because the presence of such furniture was a substantial contributory factor to the £2.5m fire at Manchester Woolworth's last May, and the deaths of 10 people there. Domestically because the number of deaths in the home resulting from furniture fires has trebled in the last two decades, although the number of such fires has not increased.

Mr. Whitelaw was making his statement following publication of the report on the Woolworth fire, made by the Planning-Legislation Sub-Committee of the Central Fire Brigades Advisory Councils for England and Wales and Scotland Joint Fires Committee.

The report, published last Tuesday, makes it abundantly clear that if sprinklers had been installed at Manchester Woolworth's, the people on the second floor, where all the deaths from fumes occurred, would have had more time to escape: so the sprinkler system was only part of the story.

On the sprinkler aspect, the report suggests that the 1971 Fire Precautions Act could be amended to require the installation of sprinklers in department stores—theoretically a fine suggestion.

Almost certainly some or all of the report's recommendations will soon be implemented—most probably polyurethane foam furniture will have to be stored in areas where the public has no access, and will have to be displayed in fire-separated compartments or areas with fire doors.

Mr. Oppenheim's comments on Thursday emphasise the extent of the problem: speaking of the call by the Fire Brigades Union for a complete ban on the use of polyurethane foam in furniture, she pointed out that many alternative fillings are available, all combustible and many with high fire hazards.

On the domestic front, the plan is to make regulations to require upholstered furniture sold for home use to pass tests for resistance to ignition from such obvious sources of fire as cigarette ends and matches. At the time of sale, furniture will have to bear appropriate warning labels: these regulations are likely to be operational by the autumn of 1981.

## The Scottish Heritable Trust Limited

Glasgow-based Company dealing in Property and distribution of Oriental Carpets and Hairdressing Supplies

1979	1978
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## NORTH AMERICAN NEWS

### Currency translations hit Massey Ferguson

By Robert Gibbons in Montreal  
IMPROVED second quarter earnings are reported by Massey-Ferguson, the major farm and industrial equipment manufacturer, but currency losses left the group with sharply lower net income and a loss per share for the half-year and the company warns that it could have an operating loss for the full fiscal year.

Earnings were US \$15.8m, or 76 cents a share in the second quarter ended April 30, against \$10.8m, or 47 cents a share, a year earlier, excluding net foreign exchange losses. Sales were \$84.7m against \$74.9m previously.

For the half-year earnings were at \$3.2m, equal to a loss of 4 cents a share, compared with \$34.2m or a profit of \$1.64 a share on sales of \$1.5bn, against \$1.3bn. The figures include net foreign exchange losses of \$31.5m against net exchange gains of \$12.9m a year earlier.

Operating net profit for the half-year was \$3.4m, against \$2.4m, Massey-Ferguson said.

Massey-Ferguson said the company could have an operating loss for the entire year because of the downturn in the North American farm machinery market.

Massey-Ferguson added that the sudden and rapid downturn in retail farm machinery sales in North America during the usually strong spring sales months resulted in a significant increase in the company's receivables to \$1.03bn in the second quarter from \$695m a year ago.

However, despite the impact of worldwide inflation and of higher foreign exchange rates generally, the group maintained a major part of its operating expenses at levels consistent with the sales decline.

The group said the exchange gains or losses reported in the periods were due primarily to the translation of foreign currency financial statements into U.S. dollars and are for the most part unrealised.

Meanwhile, the group's president, Mr. Victor Rice, was named chairman and chief executive, replacing Mr. Conrad Black, who continues as chairman of the executive committee.

Mr. Black said in a statement the move is part of the next phase of the reconstruction programme of the company begun by him and Mr. Rice in 1978. This planned move reflects the fact that the operational changes in the company are now largely completed, he said.

"The principal task now remaining is the necessary infusion of new equity," Mr. Black stated.

These moves would allow the company to pursue all possible sources of such refinancing and Argus Corporation, the company's largest shareholder, plans to participate in this refinancing, he declared.

## Firestone pushed to \$52m deficit by closure costs

By IAN HARGREAVES IN NEW YORK

**FIRESTONE** TIRE and Rubber, the second largest U.S. tire on sales of \$2.46bn, reported a \$52m loss for its most recent quarterly period and warned that there was no possibility of significant improvement until the motor industry and the U.S. economy "demonstrated sustained improvement".

Most of the loss for the company's second fiscal quarter to the end of April resulted from a previously announced \$49m charge resulting from the planned closure of a quarter of its U.S. tire production capacity.

The loss compared with earnings of \$33m in the same quarter last year. Sales fell to \$1.29bn in the quarter just completed from \$1.35bn a year ago.

For the first six months, Fire-

stone recorded a loss of \$66m on sales of \$2.46bn.

Firestone, in explaining its latest industry litany of weak demand from the motor companies, slower replacement car usage and fierce competition, cited the additional negative factor of pricing problems in South America. The absence of government approval for price increases in Brazil and Venezuela had "substantially affected international results," Mr. Richard Riley, the chairman.

The company also had a heavy foreign exchange loss, at \$16.5m in the first half, up \$10m from the same period last year.

Firestone's U.S. closures this year came after a string of similar shutdowns in the U.S. rating agency.

## Quebec court upholds legislation on expropriation of Asbestos

By OUR MONTREAL CORRESPONDENT

**THE QUEBEC** Superior Court has found that the Quebec Government's law to expropriate the assets of Asbestos Corporation in the province is constitutional.

Asbestos Corporation, which is 54.6 per cent owned by General Dynamics of the U.S., has 10 years in which to signify whether it will appeal. The company said yesterday it intended to appeal against the decision.

Quebec passed the expropriation laws last June and the legislation was almost immediately challenged by Asbestos Corporation on a series of constitutional grounds.

government had the right to expropriate natural resources. Under the Canadian constitution the provinces have jurisdiction over natural resources.

Rising costs, especially for fuel, brought a C\$65m (£4.3m) loss for Air Canada, the national airline, in the first quarter of 1980, compared with a C\$3.6m profit a year earlier.

The airline warned that higher fares would be needed beyond the 9.5 per cent increase which became effective on March 1 and a 2.4 per cent increase due on June 1.

The current economic climate in North America and overseas presented a "serious risk" for the balance of the year and the profits would be below those of 1979 when the airline earned C\$55.4m.

## A & P to double common stock

By OUR NEW YORK STAFF

**THE GREAT** Atlantic and Pacific Tea Company (A & P), the grocery chain which recently found itself a new chairman, plans to double its authorised common stock as a safety net for future equity raising possibilities in the wake of a rights issue currently under way.

A & P, in its proxy filing for its annual meeting and in separate filings with the Securities and Exchange Commission, also revealed for the first time details of the remuneration package used to tempt Mr. James Wood into the chairman's post from his previous position as head of Grand Union, the U.S. supermarkets chain owned by Caveman.

The documents also revealed that A & P's chief financial officer, Mr. Richard Doyle, has resigned from the company following a reorganisation of his responsibilities.

All these changes reflect the determination of Tengelmann,

the West German group which owns 47 per cent of A & P, to turn around the troubled company and to pave the way for a successful chairmanship for Mr. Wood.

The rights issue is an attempt to raise more than \$50m by offering to existing shareholders 12.5m new common shares.

Tengelmann has made it clear that it will take up all its options plus any options not taken by other shareholders. This could raise the German stake to as much as 65 per cent.

The contract signed between Tengelmann and Mr. Wood, an Englishman who built his reputation in various posts for Sir James Goldsmith's retailing empire, provides for huge payments to Mr. Wood if A & P becomes successful.

In addition to a \$400,000 a year salary and a \$300,000 one-time payment this year, Mr. Wood will be entitled to annual bonus payments of between

\$900,000 and \$1.2m according to company profits. To qualify for the higher figure, A & P would have to earn \$120m pre-tax, compared with the loss of \$3.8m last year.

In addition to these payments, which are fairly standard for top U.S. executives, Mr. Wood's five-year contract provides for a remarkable stock appreciation clause. Tengelmann has issued to him what it calls "phantom stock units" initially equal to 10 per cent of Tengelmann's own holdings in the company, which means a minimum of around 5 per cent of A & P's entire outstanding common.

Mr. Wood will be entitled, so long as he stays with the company for his full contract, to the difference between \$4 and the market value of his phantom shares after 1985. That differential at present is just over \$1 per share, which would give Mr. Wood a payment of \$1.2m.

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## Brazil raises DM 150m Eurobond

By Francis Ghilie

**BRAZIL** HAS closed the Deutsche Mark foreign bond issue calendar for May with an eight-year public bond issue of DM 150m. The borrower is paying a coupon of 9.34 per cent and the issue has been priced at \$94. Lead Manager is the Deutsche Bank.

If the effects of the double taxation treaty between Brazil and West Germany are taken into consideration, the yield on this issue—9.34 per cent—comes close to 11 per cent for domestic West German investors. Tax benefit from the treaty means that German investors are deemed to have paid withholding tax in Brazil and are able to get a tax credit from the German

Outstanding foreign Deutsche Mark bonds for Brazilian borrowers currently yield around 9.2 per cent. For instance, the 7.2 per cent Brazil bond to 1987 yields 9.8 per cent. Such yields are more than 100 basis points above the yield on the outstanding paper of some other Latin American borrowers.

Bonds outstanding for Mexican borrowers are currently yielding just above 8½ per cent, which is very much in line with the market. For instance, the 6 per cent bond to 1985 for the United States of Mexico currently offers a return of 8.35 per cent.

Initial reaction suggests this latest issue for Brazil will meet with a good reception. Most sectors of the international bond markets were steady yesterday with some slight price gains. In the U.S. dollar sector the rise in some prices by up to one point was explained by dealers as "catching up" on what happened in New York last Friday.

Buying activity in the dollar sector was said by most dealers to be well below last week's levels. The slight weakness in the U.S. currency, following the fall of many U.S. banks' prime lending rate to 14 per cent yesterday, did little either to encourage or discourage investors.

Sterling-denominated bonds posted gains of up to 1½ points.

Foreign investors are still very much in evidence here, buoyed by the strength of sterling.

In the domestic D-Mark market yesterday the Bundesbank sold DM 120m worth of paper to satisfy investors' appetite.

In the Swiss franc sector, FGH Hypothekbank, the Dutch bank, is arranging a

Sw.Fr. 50m ten-year bond with a coupon of 6 per cent. Lead manager is Banque Gutwiler.

**MACKS STORE in the red**

By David Lascaris in New York

**MACKS STORES**, the North Carolina retailing chain in which KBB of the Netherlands plans to buy a majority stake, yesterday reported a loss for the first quarter of \$138,000. This compared with a profit of \$147,000 in the same period last year. On a per share basis, this loss amounted to 13 cents compared with the previous year's gain of 14 cents.

Sales in the first quarter were up sharply, from \$11.9m to \$14.3m.

Macks attributed the loss to markdowns needed to pare stocks, and an increase in its Life estimate.

Macks Store operates in the south-east of the U.S. and has annual sales of about \$60m. KBB is to pay \$7.5m for 51 per cent of the company.

**McDonald's lifts dividend**

By Our Financial Staff

**MCDONALD'S**, now the dominant force in the fast-food restaurant industry, is to pay more. At the annual meeting in Oak Brook, Illinois, yesterday, Mr. Ray Kroc, McDonald's Corp. senior chairman, told shareholders that the directors decided to increase the quarterly dividend 43 per cent, from 14 cents to 20 cents a share.

Mr. Fred Turner, chairman, also told shareholders that the company's outlook for the rest of 1980 was excellent despite current economic uncertainties. Last year the group turned in record earnings of \$16.3m, equal to \$4.69 a share.

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## INTL. COMPANIES &amp; FINANCE

## Fiat earnings depressed by car division losses

BY RUPERT CORNWALL IN ROME

**FIAT**, Italy's largest industrial group in private hands, yesterday reported a net loss of Lst 2bn (\$117m) on its car operations last year, but despite this managed a profit at holding company level.

The 1979 accounts issued yesterday by the holding company, Fiat SpA, are the first since the corporate reorganisation which lived-on the group's various industrial divisions into separate operating companies, each controlled by Fiat SpA.

However, contrary to expectations, the group decided to include its car losses, as well as the smaller deficit of Lst 5.3bn (\$30.5m) on Fiat's steel activities, in the 1979 results instead of allowing them to show through in the current year.

Despite this move, Fiat SpA reports a net profit of Lst 4.6bn (\$47.7m) for 1979, compared with declared net earnings of Lst 4.6bn for 1978, the last year in which industrial activities were included fully in the company's results.

The board has decided to pay an unchanged dividend of Lst 85 on both ordinary and privileged shares. At the same time Fiat announced that Sig Guido Carli, formerly governor of the Bank of Italy, and head of Confindustria, the private employers' association, is joining the main board.

The loss of Fiat Auto, the car division, which compares with an estimated break-even in 1978, reflects losses of production as a result of labour unrest last year, and diminished competitiveness on foreign markets. In Italy last year Fiat produced 1.31m cars, 1 per cent less than in 1978, while strikes cost an estimated 200,000 units of lost output in a generally buoyant year for new car demand.

The board underlined that the gulf between inflation in Italy and that of its chief foreign markets and rivals had not been compensated for either by a rise in productivity or home, or by a downward adjustment in the lira's exchange rate.

Nonetheless, investments by the car division totalled Lst 15.5bn (\$500m), while depreciation was Lst 20bn on a turnover up by 22 per cent at Lst 52.5bn—not far short of half total consolidated Fiat sales for 1978 of Lst 56.5bn.

A much smaller deficit of Lst 2.5bn (\$9.5m) was registered by Fiat's heavy vehicle interests incorporated in the Iveco concern, for essentially the same reasons as those underlying the car losses.

However, many of the smaller diversified activities of Fiat are profitable last year.

The four main components subsidiaries, Weber, Gilardini, Fiat Lubrificanti and IVECO made combined profits of Lst 4.4bn. Machine tools produced earnings of Lst 16.5bn, while Fiat's military aircraft engine and telecommunications businesses also were in the black.

## Iveco disposal snags for KHD

BY ROGER BOYES IN SONN

**KHOECKNER** Humboldt Deutz, the leading West German diesel engine manufacturer, is having problems in shedding its interests in commercial vehicle production.

KHD has for some time made clear that it wants to dispose of its 20 per cent stake in Iveco, an Amsterdam-based concern set up to group the commercial vehicles divisions of both KHD and Fiat. Under the original 1974 contract, KHD has the right to sell its stake to Fiat in the course of this year—but now Fiat appears to be questioning the asking price.

Herr Bodo Liebe, KHD chairman, told reporters in Cologne that "so far Fiat has declined to pay the agreed purchase price and has made use of its contractual right to invoke arbitration procedures." The purchase price of the 20 per cent stake was fixed in the original contract. Fiat has the right to pay either in the form of a lump cash sum or in five yearly interest-bearing instalments.

Until the issue is settled, KHD remains formally a shareholder in Iveco, though because it has made use of its sales option it will not receive any further financial benefits.

KHD's decision to get out of commercial vehicle production reflects a change in strategic emphasis. The concern now intends to avoid minority stakes and will concentrate on three main divisions—engine production, agricultural machinery and industrial plant. The shedding of the Iveco stake will, KHD believes, give the company more flexibility in its fast growing diesel engines sector, though there will be a regular long-term supply of engines to Iveco.

Last year the group's external sales increased by DM 51m to DM 4.25bn (\$2.38bn). The increase followed from across-the-board improvements, though the main focus was on the engine (especially the small air-cooled diesel engines) and agricultural divisions. The agricultural division saw orders drop by 17 per cent; however.

### Renault sells stake in moped maker

By David White in Paris

NORWAY'S largest shipping concern, Wilhelmsen, reports a fall in net profits to Nkr 119.2m from Nkr 169.5m for 1979, but foresees better results this year.

Declines last year were due to several factors, among them the special problems in the Middle East, delayed delivery of new ships for the liner fleet, and costly conversions of the group's oil rigs.

Net capital costs increased by Nkr 26.2m to Nkr 93.7m, reflecting heavy investment in new ships during the past few years, coupled with the rise in interest rates. The highest capital costs were more than offset, however, by Nkr 146.7m profits on ship sales.

Most of Wilhelmsen's earnings are in dollars and reckoned in this currency, gross freight earnings rose by about 3 per cent. In kroner, however, they fell slightly. Of the total, 78 per cent came from liner operations, 12 per cent from tank and bulk and 9 per cent a good profit.

## Upturn at Spanish bank

BY ROBERT GRAHAM IN MADRID

**BANCO URQUIJO**, Spain's leading industrial bank, increased pre-tax profits in 1979 by 15 per cent to Pta 2.2bn (\$31m).

This is a considerable improvement on the previous year when profits fell back, adversely affected by the domestic recession. Urquijo attributes the performance to a combination of cautious management, increased foreign activity, and a recuperation by some important industrial concerns in its portfolio.

At the same time, Urquijo moved further away from its role as an industrial bank, by opening more domestic branches.

The bank also managed to raise branch productivity and dilute the heavy personnel costs to that are now hitting banks.

Despite opening nine new branches, the workforce fell back marginally. Urquijo's ratio of deposits per employee was almost six times the norm among private banks in Spain.

Urquijo is seeking to drop the label industrial bank and is defining itself as a wholesale bank.

After paying Pta 444m in tax, the bank has decided to set aside Pta 1.7bn for dividends, a 17 per cent increase.

The importance of foreign business last year was underlined by the fact that two-thirds of Urquijo's increase in lending came from foreign currency.

Foreign business accounted for 40 per cent of total activity.

Urquijo last year doubled its provision for doubtful debts to Pta 1.2bn.

## German insurer holds payment

BY OUR BONN STAFF

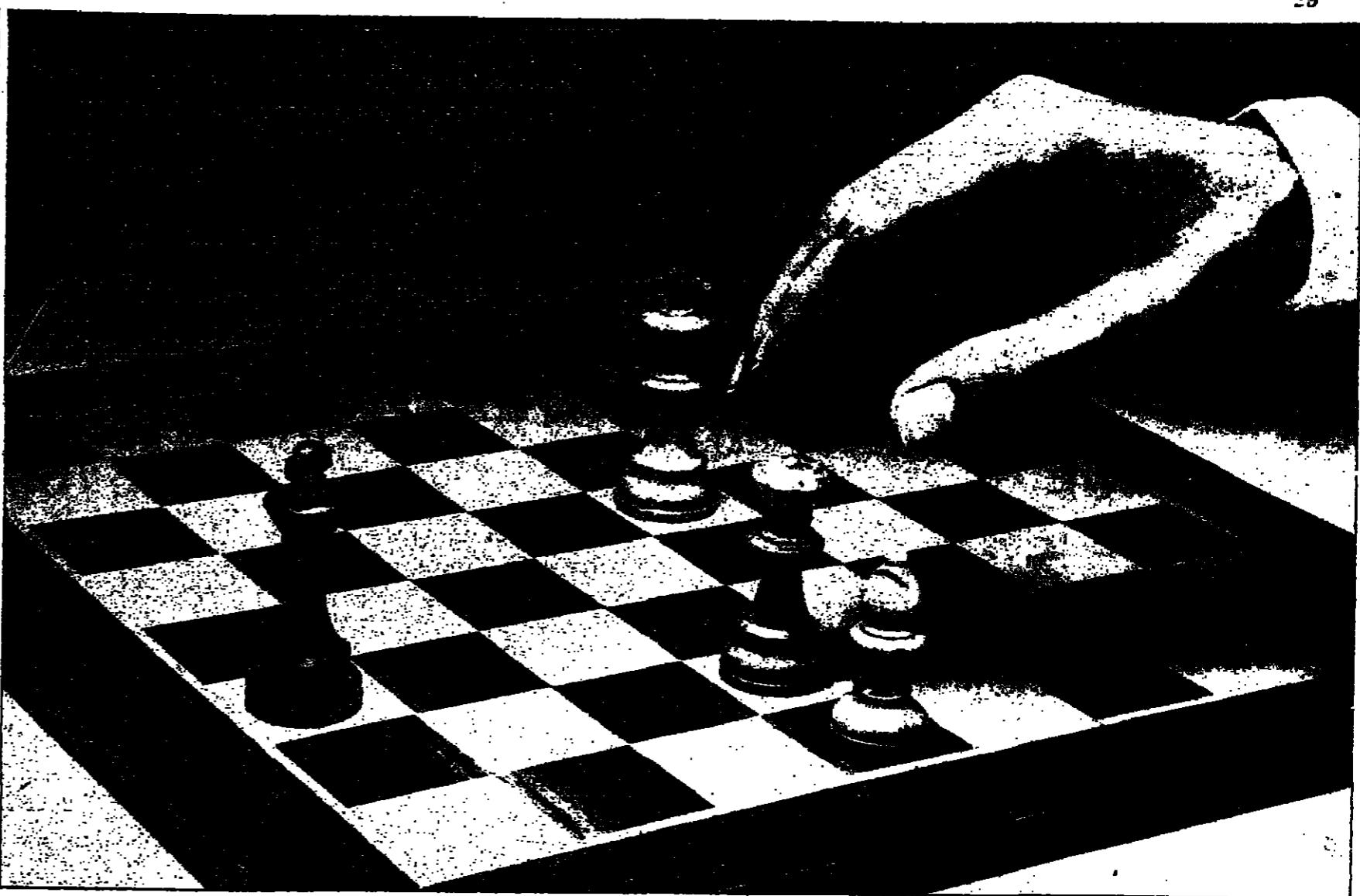
**ALLIANZ VERSICHERUNG**, the leading West German motor, property and casualty insurance group, has recorded a year of strong overseas growth and a revival in domestic business. Both turnover and profits have exceeded earlier expectations while the company's 20 per cent dividend is maintained.

Premium income for the group worldwide rose 17 per cent to DM 10.5bn, and group profits totalled DM 199.5m compared with DM 191.5m in 1978. The parent company recorded a net profit of DM 163.2m, while some executives believe that motorists

may have started to respond to the energy crisis by driving more slowly.

Allianz's market share in Germany is believed to be between 17 and 18 per cent, but it is difficult to see where the company can expand in the near-saturated domestic market. This factor has clearly prompted Allianz to transfer part of its wealth overseas in a quest for new markets. Foreign business now accounts for 10 per cent of Allianz's premium income.

The group's U.S. interests brought in premium income of DM 465m last year.



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## McIlwraith almost doubles earnings

**By Our Sydney Correspondent**  
MCILWRAITH-DAVEY Industries, the hardware group, which is currently involved in a \$85m takeover battle for Overseas Corporation (Australia), the household products and building materials group, almost doubled its profits from \$83.45m to \$86.5m (US\$7.4m) in the year to March 31. The result was achieved on an increase in group turnover of only 8 per cent, from \$838m to \$8150m (US\$7.1m). Earnings per share advanced from 20.7 cents to 32.4 cents, but the dividend is held at 14 cents a share.

The directors said that the operations had been further strengthened and achieved a record profit.

The McIlwraith result compares with a profit of \$85.7m for Overseas Corporation in 1978-79, and an 11 per cent increase to \$83.4m in earnings for the half-year to December. McIlwraith has launched an offer for Overseas at \$81.35 a share, after first buying a 20 per cent holding through a lightning market raid.

McIlwraith's action foiled a proposed \$865m merger between Overseas Corporation and Metro Meat, a meat and cold store group, but the overseas directors have labelled the McIlwraith bid as inadequate and retained a merchant bank, Australian United Corporation, to assist in "an appraisal of further opportunities for further acquisition, and to appraise the existing capital structure."

## Olympic support for higher bid by Dunlop Australia

BY JAMES FORTH IN SYDNEY

DUNLOP AUSTRALIA has raised its takeover bid for Olympic Consolidated Industries by \$31.25m to just over \$850m (US\$103m)—and has gained the support of the Olympic board. The takeover will create one of the largest manufacturing groups in Australia with annual sales of almost A\$1bn (US\$1.14bn) and more than 20,000 employees.

The group will command about 35 to 40 per cent of the tyre market in addition to its cable and industrial products manufacture. Dunlop intends to change its name to Dunlop Olympic Ltd. and two Olympic directors, including the chairman, Mr. Ian Beaupre (a

son of the founder and former Olympian, the late Sir Frank Beaupre), will join the board of the combined group.

Dunlop initially offered \$A1.20 a share, or A\$79m with an alternative of one Dunlop share plus 55 cents for each Olympic ordinary share and convertible note, but this was rejected as inadequate. Dunlop has now agreed to raise its cash bid to A\$1.40 a share, and similarly increase the cash content of its alternative offer to 75 cents. The share-cash alternative values Olympic shares at just over A\$1.50.

Olympic directors will recommend the higher offer and accept for their shareholders

Dunlop's financial adviser, Hill Samuel Australia, considers the price offered is fair, and in the interests of Dunlop holders.

The adequacy of the bid is also supported by an independent valuation undertaken by Schroder Darling and Co. on behalf of Olympic.

The takeover will require Trade Practice approval. If this is forthcoming it is intended to maintain Dunlop and Olympic brands in the market, and to retain the "separate competitive identity" of the two groups' tyre service centres. Dunlop also intends to retain Olympic's highly profitable 50 per cent stake in the cables group, Olex Cables.

## U.S. group lifts stake in ICA

BY OUR SYDNEY CORRESPONDENT

THE U.S. group, Combustion Engineering, has lifted its shareholding in the boiler maker and power equipment supplier, International Combustion Australia (ICA), from 13.4 to 19.8 per cent. This stops just short of the 20 per cent level beyond which the U.S. group would be required under stock exchange listing rules to extend a bid to all shareholders.

But the U.S. group's indirect stake is higher because it is also a major holder in International Combustion Holdings of the UK, which sold the shares in ICA. The UK group held 39.5 per cent of ICA but has now placed 32.5 per cent of the capital through Melbourne share-

broker, J.E., were at A\$5 (US\$5.74) a share, raising A\$13.8 (US\$15.8m).

The remainder were sold to institutions, with the UK group retaining a 7 per cent equity. The deal would presumably require the approval of the Foreign Investment Review Board.

\* \* \*

METALS EXPLORATION and its partner, Freeport Minerals of the U.S. intend to go ahead with a proposal to reduce the costly fuel oil consumption of their nickel-cobalt plant at Greenvalley in Queensland. The project will cost about A\$45m (US\$51.7m) and involves installation of a new coal fired

boiler and conversion of ore divers to coal firing.

The engineering group, Babcock Australia, in association with John Holland (Constructions), has been awarded a turnkey contract worth about A\$50m to carry out the conversion. It is the largest conversion contract awarded in Australia, and will attract tax concessions recently announced by the Federal Government.

The partners expect fuel oil consumption to be reduced by about 45 per cent from the present 335,000 tonnes a year, resulting in substantial operating cost savings, and thus improving the competitiveness of the ailing nickel-cobalt producer.

All these Notes have been sold. This announcement appears as a matter of record only.

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## £7m building at naval hospital

MARPLES RIDGWAY has been awarded a £7m contract in connection with the Royal Navy Hospital at Haslar, Gosport, by the FSA's directorate of Defence Services. The work which consists of new buildings within the grounds of R.N.H. Haslar and alteration and reconstruction of existing structures, is expected to begin in June 1980 and will take three years to complete.

J. AND J. FEE, the industrial and commercial building contractors from Halifax, has been awarded a contract worth £3.5m. These include 10,000 sq ft of industrial units in Leeds for the Standard Life Assurance Company, a new 51,000 sq ft supermarket complex at Manchester and a 15,000 sq ft design and build contract for Bray's Bakery, in Leeds.

ELECTRAINT, Lichfield, has a £260,000 contract to supply a conveyorised painting facility for Concentric (Pressed Products), Handsworth, Birmingham, in conjunction with I.C.I. paints division, who will be supplying the paint and the pretreatment chemicals.

LONDON AND NORTHERN GROUP has been awarded contracts valued at £1.4m in the Midlands and Scotland. T. M. Simms, heating and plumbing contractors based in Blaydon in Scotland, has two new contracts valued at £645,000. One is for £465,000 for plumbing and heating installations in 245 new houses for Glasgow district council (main contractor is Leonard Fairclough). The other contract is for plumbing work only, also on 245 new dwellings, at Irvine Newton for Irvine Newton Corporation. In the Midlands E. Fletcher Buildings (Midlands) is due to start work on 50 flats for the Royal British Legion Housing Association at Melton Mowbray on June 2. This order is worth £651,733 and is due for completion in 19 months. Work valued at £89,000 has commenced on a block of six flats for Kettering borough council in Station Road, Kettering.

A contract worth about £127,500, which includes site development work, has been awarded to BRIAN HOLLY, Newcastle upon Tyne, to build a factory for the Development Commission at Rothbury, Northumberland.

VICKERS NUCLEAR, the Swindon-based division of Vickers Limited, has been awarded contracts worth about £650,000 for nuclear reactor components. The largest has been placed by the United Kingdom Atomic Energy Authority at Risley for guide tubes for the prototype fast reactor at Dounreay, Scotland. The components will be used in the core of the reactor and are part of the plant safety equipment. The UKAEA has also ordered an instrument guide tube for the Dounreay reactor safety shutdown mechanism. British Nuclear Fuels at Springfields has placed a repeat order valued at about £180,000, for spring collets, devices used on fuel strings for the core of the advanced gas cooled reactor at Dungeness in Kent.

BARRATT CONSTRUCTION, Elgin, Aberdeenshire, has a £320,000 contract for building 18 old peoples' flats at Thomson Street, Aberdeen. Work on the project for Castlehill Housing Association begins this month with completion by July 1981.

The British Transport Docks Board has placed the main contract for Garston's new 51m coal shipping terminal with the Bristol firm of WALKER ENGINEERING. This follows the announcement that Mr. Norman Fowler, Transport Minister, has agreed a government grant of £28,000 towards the special new rail facilities which will serve the terminal. The development will supply the National Coal Board's markets in Northern Ireland, the Irish Republic and the Isle of Man from pits in the North Midlands, Lancashire and Yorkshire. It will have a potential capacity of 1m tonnes/year and should open in early spring 1981.

N. G. BAILEY (INSTRUMENTATION), Bradford, has been

awarded a contract, worth over £100,000, for instrumentation and control systems for a 300 tonne vacuum degassing unit to be installed on the BOS plant, at BSCS Scunthorpe works.

Awarded by Standard-Messo Duisburg, the contract features a programmable logic control unit with 256 inputs and outputs, thyristor drivers, auxiliaries board, display panels, control desk and multi-motor control centre.

\*

HOUCHIN, part of the Dale Electric International Group, has won a £500,000-plus contract to supply the fixed 400 Hz power distribution system for the "Jedi" terminal at the new Jeddah international airport in Saudi Arabia. The contract was placed with Houchin of Esholt, Essex, main contractor to the Department of Civil Aviation of Saudi Arabia.

\*

TUNGSTONE BATTERIES has received an order with over £400,000 through associate company, Telapowers Systems, to supply batteries and chargers for the Republic of Ireland's post and telecommunications department.

A few weeks later this year, in the installation of these standby power systems at 50 telephone exchanges.

\*

A £300,000 share of Electrolux's £3m development programme has been won by M. L. SHELLY AND PARTNERS, Huntingdon, designers and manufacturers of vacuum-forming machinery, which recently became part of the Deacon Industrial Group. The order is for four SP6038 double ended machines with quartz heating elements and digital control circuits for producing refrigerator body and door liners.

\*

A contract to design and supply a complete solvent recovery plant for the recovery of carbon tetrachloride has been placed with SIMON-CROFTHORN, Long Melford, Suffolk (Simon Easing Group) by ICI Mond Division. The plant, which will be mostly fabricated in titanium, is to be installed at Widnes, Cheshire.

\*

Mobil North Sea has awarded a contract to the Datakeep Division of HAYS BUSINESS SERVICES for land-based storage of material related to the oil company's North Sea exploration activities. In essence, the contract will concern the storage of duplicate computer tapes housing data of area, line and shot points, core samples, seismic section and well logging storage plus reprographic reproduction of sections and logs.

\*

### Rail wagons for cement

A £2.5m contract for 94 rail wagons to carry cement has been placed by Blue Circle Industries with PROCOR (UK), Horbury. Each wagon has a capacity of 38.5 tonnes, and the order, one of the largest to be placed with a private rail wagon builder since nationalisation, Delivery will start in March next year for completion by October 1981.

An order for 45 advanced machine tools with a total value of £2.1m has been won by TI machine tool companies, TI CHURCHILL, Blaydon on Tyne, and TI MATRIX, Coventry, for equipping the new Eaton transmission factory at Manchester which replaces the plant destroyed by fire last year. The plant will make truck transmissions.

The Weston-super-Mare firm of CONCARGO has won an order for more than £500,000 worth of refrigerated containers, to be used on the route connecting Australasia with the Gulf States. The order is for 144 Isofreeze containers, placed on behalf of P & O Strath Services. They will be fitted with Email two-piece refrigeration machinery.

The National Coal Board has placed a contract worth £500,000 with QUALITY HILL AND COMPANY, Barrow-in-Furness, Cumbria, to connect Hornsea Main with Dearne Valley Colliery by half a mile of belt conveyors. The company is installing four-belt conveyors which will form the link between the two collieries, one bifurcated chute with hydraulic operating gear to the existing Dearne Valley Conveyor, one discharge chute and a 6 ft diameter spiral chute. Also being supplied and erected are four conveyor gantries and four conveyor steel framed transfer house buildings.

\*

ROLLS-ROYCE MOTORS, Crewe, has signed a potentially multimillion pound contract to manufacture castings for the nose-gauge weapons in the RB190 engines which powers the new European multi-role combat aircraft, the Tornado. The contract, which may last up to 15 years, will be worth half a million pounds a year. Rolls-Royce Motors has no connection with Rolls-Royce which is government owned and manufactures gas turbine engines.

\*

GRADWOOD of Stockport, Greater Manchester, has received a contract worth £140,000 for smoke, heat and fume removal powered roof ventilators. The contract has been placed by Lancashire United Transport for powered extractor fans at its bus depots at Atherton and Swinton.

\*

A contract worth about £245,000 has been awarded to VENN BROS. (CORNWALL) of Penzance by the Department of Industry for work on two factories at Long Rock, Penzance. Work has started and the premises should be ready for occupation in January 1981. The Department has also placed a contract worth £122,300 with J. WIMPENNY AND CO., of Huddersfield for work on an advance factory at Spax Mills, Slaitwaite, W. Yorks. Work has started and the premises should be ready by October.

\*

FODENS has orders for medium

handling equipment, has won two major orders. One, a joint venture with Weserhütte, West Germany, involves a 345 metric bridge conveyor handling 3060 tonnes/hr for a quarry development by Blue Circle Industries at Dunbar. The conveyor will travel on two crawler mountings, each independently driven under the ends of the bridge section. Commissioning should take place in late 1981.

The second contract from Babcock Hydro Pneumatics, is for a mobile hopper, two belt conveyors, gantry structure and two junction houses to handle 755 tonnes/hr ash at Drax power station.

\*

BRIDON WIRE, Doncaster, is to supply its largest ever single wire contract in the form of bright high-tensile steel wire for a dual 2972 computer system.

Valued at £1.6m the computer system will be installed during the summer vacation and will give a service to Edinburgh University from this autumn.

\*

NESTAIR DENNIS, Guildford, has won a fire appliance contract from Kent for 30 RS water tenders. The orders are worth almost £1.5m.

\*

A contract to supply newspaper bundle underwrapping and cross-strapping equipment to Times Newspapers has been secured by PARSEAL INDUSTRIES, Maidenhead, Berkshire. The 10 tandem strappers and a similar number of bundle underwrappers, are worth over £250,000.

\*

BABCOCK-BRISTOL—a member of the Babcock Industrial and Electrical Products group—has a contract worth £171,000 for control and associated instrumentation in two coal-fired power stations in the People's Republic of China, as part of a programme of conversions from oil to coal firing.

\*

WADKIN MACHINE TOOLS has been awarded a £660,000 order from British Rail Engineering locomotive works at Derby for two TCH1545 heavy duty CNC

\*

Wesleyan and General Assurance Society is to replace its Honeywell 2200 computer with a HONEYWELL Level 64/DPS 4.

The society plans to move from purely batch on-line processing.

Valued at £212,000, the system will include a one mega byte central processor, with four 300 megabyte disks, four tape drives, line printer, card reader and 10 visual display terminals.

\*

NEWELL-DUNFORD ENGINEERING, Sturton, has been awarded contracts totalling nearly £750,000 for the design, supply and

construction of a wheat cleaning, four milling and process plant.

\*

SERICK CONTROLS, Leamington Spa, has been awarded contracts totalling over £350,000 for technical consultancy and supply of a computer system for the gas authority Gradisca Pintara Zagreb, Yugoslavia. The system will be used for supervision of a high pressure gas distribution network for the city of Zagreb.

\*

National Supply Company (UK) has placed orders worth £750,000 for three numerically controlled vertical boring machines manufactured by SCHIESS-FRONTI.

\*

NEWELL-DUNFORD ENGINEERING, Sturton, has been awarded contracts totalling nearly £750,000. For export to Nigeria, a complete manufacturer

\*

An order worth over £500,000 to

Warrington Development Corporation to A. STREETER (NORTHERN), Leeds, for a network of foul and surface water sewers to serve the proposed Callands residential area of Warrington New Town. The sewers are on a separate system and will be constructed in open cut single, dual and multiple trench.

\*

An order worth over £500,000 to

West Gorton, Manchester.

travelling table machining centres.

\*

Cameron Iron Works has awarded a contract worth about £555,000 to BALFOUR BEATTY CONSTRUCTION (SCOTLAND) a member of the BICC Group, for the construction of a new office facility at Livingston, West Lothian.

\*

LEWIS OFFSHORE, Stormont-based heavy fabrication facility of Fred Olsen, has won a £50,000 contract from Phillips Petroleum for construction of the flare tower and helideck for the Maureen field platform.

\*

A £220,000 contract to install wide-span bolt-free adjustable steel shelving at Kay and Co's new warehouse in Leeds has been awarded to METALRAX, Birmingham. Metalrax wide-span provides flush surfaces up to 2.7 metres wide without the use of intermittent uprights and 1,800 bays are to be installed in the new warehouse.

\*

EDINBURGH REGIONAL COMPUTING has placed an order with INTERNATIONAL COMPUTERS for a dual 2972 computer system. Valued at £1.6m the computer system will be installed during the summer vacation and will give a service to Edinburgh University from this autumn.

\*

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\*

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\*

BALFOUR BEATTY CONSTRUCTION has been awarded a contract by Tesco Stores valued at £200,000 for the completion of a vegetable packing and supermarket unit at Leigh, Greater Manchester.

\*

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\*

An order worth over £500,000 to

West Gorton, Manchester.

\*

The final phase of a shopping centre has begun at Redditch New Town, Worcs, at a cost of nearly £1m. Redditch Development Corporation have awarded the contract to BRYANT CONSTRUCTION for the scheme, which includes a 50,000 sq ft store for Marks and Spencer and a 45,000 sq ft premises for British Home Stores. The development will become part of the undercroft Kingfisher Centre.

\*

The plant capable of processing the root crop cassava into a foodstuff known as garri; for British Sugar Corporation; four wet pulp collection units for a beet pulp nutting plant (this contract was awarded by Graburne Services) for Norit Clydebank — Glasgow; a kiln and drying installation to produce activated carbon (this contract was awarded through Crawford and Russell International).

\*

DANIEL INDUSTRIES has a £700,000 order from Phillips Petroleum, for fiscal measurement of crude oil on the Maureen production platform.

Metering and proving will be done by two solid mounted

packets consisting of four turbine meters and a bi-directional meter prover.

\*

THE DECCA NAVIGATOR COMPANY, a member of the Racal Electronics Group, has won a contract worth more than £400,000 for equipment for the air terminals at Porto Santos and Funchal, which are being upgraded with Doppler VOR (VHF Omnidirectional Range) systems as part of a complete modernisation plan.

The contract, awarded by Aeropostos Navagao Area Ep,

for two civil aviation radio beacons, is the initial phase of a plan to introduce a number of new navigation beacons throughout the Portuguese territories.

\*

Baring Brothers and Company has placed an order worth £250,000 to

PYKE BUSINESS COMMUNICATIONS of Cambridge, for the supply and installation of an EBX 3000 electronic telephone exchange at the company's head office in Bishopsgate. The low range exchange will have the capacity to handle 60 exchange lines and 490 extensions. The system is scheduled to be operational by July 1981.

\*

A £250,000 contract for air-handling equipment for ICL's new micro-chip factory has been won by BAHKO VENTILATION Bamby, Oxon. A total of 101 air handling units will be used at its micro-chip factory in West Gorton, Manchester.

\*

## Last phase of Redditch shopping centre

## UNITED STATES

	1978	1979		
	Units	%	Units	%
General Motors	5,385,282	47.6	4,917,911	46.2
Ford	2,582,702	22.8	2,140,368	20.1
Chrysler	1,148,258	10.1	949,598	8.9
VW of America	23,017	0.2	166,917	1.6
American Motors Corporation	170,739	1.5	147,956	1.4
Total domestic	9,307,578	82.3	8,322,750	78.2
Total imports	2,000,500	17.7	2,321,250	21.8
Total domestic and imports	11,308,078		10,644,000	

## U K

	1978	1979		
	Units	%	Units	%
Ford	252,958	15.95	248,550	14.48
BL	358,104	22.49	320,238	18.65
Vauxhall (GM)	95,503	6.02	94,732	5.52
Talbot (PSA)	94,650	5.95	82,072	4.84
Others	4,357	0.27	3,779	0.22
Total domestic	806,872	50.68	750,371	43.72
Ford imports	138,408	8.70	237,609	13.81
BL imports	15,689	0.99	16,746	0.98
GM imports	58,286	3.67	46,212	2.68
PSA imports	81,214	5.10	108,355	6.31
Flint and Lancia	84,256	5.29	79,864	4.66
Renault	69,627	4.37	93,468	5.45
VW/Audi	63,222	3.97	76,258	4.44
Datsun (Nissan)	101,735	6.39	102,395	5.97
Total Japanese	174,494	10.96	185,084	10.78
Other imports	99,879	6.27	123,578	7.16
Total imports	785,069	49.22	965,904	56.28
Total domestic and imports	1,591,941		1,716,275	

## WEST GERMANY

	1978	1979		
	Units	%	Units	%
VW/Audi	761,914	29.14	776,744	30.26
Opel	514,932	19.70	476,768	18.84
Ford	319,279	12.21	277,570	10.81
Mercedes	213,350	8.17	234,110	9.12
BMW	154,567	5.91	153,920	6.00
Porsche	11,368	0.43	12,001	0.47
Others	690	0.03	734	0.02
Total domestic	1,976,210	75.58	1,925,845	75.02
Total imports	638,141	24.41	641,272	24.98
Total domestic and imports	2,614,351		2,567,117	

\* Excludes imports from Belgium.

## A good year for car importers

By KENNETH GOODING, Motor Industry Correspondent

THE WORLD'S major car markets presented a mixed picture in 1979. There were record sales in France, Japan and the UK. But in the U.S., the world's biggest individual market, and West Germany, the largest in Western Europe, registrations fell back from their peaks.

The U.S. market is liable to volatility because it is saturated—nearly everybody who can afford a new car has one. In the wake of the oil supply crisis which followed the revolution in Iran, buyers snapped up smaller cars with lower fuel consumption. But there were not enough of that type being produced in the U.S., and importers could not keep up with the demand. Purchases of new cars were delayed.

So the U.S. market, forecast to rise to 11.5m at this time last year, eventually slipped badly to 10.6m. Importers took a record 21.8 per cent of the total and this has risen steeply to reach 27 per cent in the early months of 1980.

Ford suffered on the other hand from a shortage of Fiestas (mainly imported from Spain) and because it was widely known that the Escort—never a very popular vehicle in Germany—was soon to be replaced. Ford's new Escort, previously code-named Erika, will not be

launched until October and will not have much chance to make its mark on the 1980 sales figures.

It has been apparent for some time that the Japanese have selected Germany as a prime target. The Japanese penetration of that market rose from 2.5 per cent in 1977 to 3.7 per cent in 1978 and 5.73 per cent last year. In the early months of 1980 the Japanese have captured 7 per cent.

Renault also has a list of target markets and these include Germany and the UK. As a result, Renault increased both unit sales and market share in a declining German market last year. In the UK it did even better, as that market continued to boom.

Volkswagen-Audi kept a firm grip on its home market, increasing its market share to more than 30 per cent. VW-Audi or VAG—the official group title—now has the cars the market demands and only capacity constraints stopped it from making even further

advances last year. VAG improved its range in the last two months of 1979 with a three-box version of the Golf, called the Jeta. This "Golf with a boot" should help VAG maintain third place in the West European sales league this year even though its home market is expected to show a decline of 10 per cent or so.

In France, PSA, the Peugeot-Citroen-Talbot group, with a market share of more than 42.5 per cent, and Renault, with nearly 35 per cent, left little room for imports. Even so, VAG increased its market share from 3 to more than 4 per cent.

Problems with the Talbot marque in particular affected PSA's performance last year. In France its sales dipped and although it remained No. 1 in Western Europe its market share fell from 17.89 to 16.47 per cent following a volume decline from 1,792,709 to 1,703,074.

Renault retained second place in Western European

sales. Its market share increased from 12.78 to 13.46 per cent and its unit sales improved from 1,278,737 in 1978 to 1,392,019 in 1979.

VAG jumped two places up the Western European league table after building its market share from 11.34 to 11.98 per cent and volume from 1,136,059 to 1,238,973.

This pushed Fiat back one place. The Italian group's market share fell from 12.82 to 11.94 per cent and unit sales from 1,241,006 to 1,235,053.

Ford of Europe also lost ground. Its market share slipped from 13.14 to 11.88 per cent even though unit sales increased from 1,216,137 to 1,223,733.

Sixth place in Western European sales again went to General Motors (Opel and Vauxhall) with a market share decrease from 10.08 to 9.31 per cent and unit sales down from 1,010,056 to 962,295.

Total imports in Western European markets went up from 8.19 to 9.59 per cent, with

sales increasing from \$30,145 to \$31,363. The Japanese accounted for most of the imports. Their market penetration improved from 8.36 to 7.28 per cent.

Apart from losing market share in Western Europe, Fiat also slipped in its home market, taking 50.48 per cent of Italian sales compared with nearly 53 per cent in 1979.

Toyota and Nissan (the Datsun group) continue to outpace their rivals in Japan, but there is some jostling for position further down the ranks. Last year Daihatsu overtook Subaru (owned by Fuji Heavy Industries) in the Japanese market. Both make four-wheel-drive vehicles among the more conventional types but Daihatsu, closely linked with Toyota which owns 10 per cent of its car manufacturing subsidiary, manufactures smaller cars.

Imports to Japan improved their position only slightly in 1979 and were still well under 2 per cent.

\* Estimated.

## JAPAN

	1978	1979		
	Units	%	Units	%
Toyota	1,981,919	37.9	1,142,428	37.66
Nissan (Datsun)	834,502	29.2	890,501	29.35
Mitsubishi (Colt)	261,345	9.1	280,339	8.79
Toyo Kogyo (Mazda)	171,665	6.0	203,152	6.69
Honda	171,274	6.0	175,950	5.80
Daihatsu	97,725	3.4	99,939	3.29
Fuji Heavy Inds. (Subaru)	80,111	2.8	82,198	2.70
Suzuki	60,038	2.1	65,542	2.16
Isuzu	48,613	1.7	50,474	1.66
Total domestic	2,807,193	98.2	2,976,986	98.14
Total imports	50,347	1.8	56,463	1.86
Total domestic and imported	2,857,566		3,033,449	

## FRANCE

	1978	1979		
	Units	%	Units	%
PSA Peugeot/Citroen	865,814	44.52	840,610	42.53
Renault	665,860	34.23	601,544	34.99
Others	7,381	0.38	6,267	0.32
Total domestic	1,529,055	79.13	1,538,421	77.84
Ford	86,256	4.43	79,277	4.61
Fiat/Seat	70,742	3.84	71,894	3.64
VW Audi	56,764	3.22	79,942	4.04
Japanese	25,365	1.82	42,625	2.16
General Motors	44,214	2.27	37,969	1.92
Talbot (PSA)	1,880	0.09	8,503	0.43
Others	110,710	5.70	117,759	5.96
Total imports	405,931	20.87	437,969	22.16
Total domestic and imports	1,944,986		1,976,390	

## ITALY

	1978	1979*		
	Units	%	Units	%
Fiat/Seat	623,			

## CURRENCIES, MONEY and GOLD

## Sterling firm

Sterling continued to improve in currency markets yesterday, lower U.S. interest rates — The Bundesbank bought \$20m at yesterday's fixing in Frankfurt, when the dollar was fixed lower than the DM 1.7832 compared with DM 1.7830 on Friday. A continued fall in U.S. interest rates was responsible for the continued switch of funds into sterling and the D-mark, and some dealers suggested that the dollar may well fall further before stabilising. Elsewhere sterling was up to DM 4.1970 from DM 4.1680 and the Swiss franc was higher at DM 1.0774 compared with DM 1.0754.

The dollar attracted central bank support as U.S. interest rates moved closer into line with Euro-dollar rates, with some major banks cutting their prime rates to 14.75 per cent. The U.S. unit was slightly above the day's lows but was well down from closing rates on Friday. Against the D-mark it fell to DM 1.7815 from DM 1.7785 and SWF 1.6575 compared with SWF 1.6500. The Japanese yen was firm, slipping to Y212.35 previously. There did not appear to be any significant intervention by the Bank of Japan, with dealers suggesting that the dollar's rise was probably a technical reaction to its recent fall. Commercial demand for the U.S. unit was quite heavy with selling pressure failing to materialise later in the day.

D-MARK — Showing renewed strength against the dollar and steady within the European Monetary System, following

firmer rates in Frankfurt and with business fairly heavy on the first day after the long weekend. There were no new factors, and demand for sterling reflected the high level of interest rates in London, and the increasing benefits of North Sea oil. Against the dollar it rose to its best level since March 1975, closing at \$2.3900-2.3910, a rise of 2.55c from 1975, but slightly down from levels seen in Eastern markets. It opened at \$2.3825 and dipped briefly to \$2.3855 before coming back quite quickly to \$2.3900. It reached a best level of \$2.3975, but traded between \$2.37 and \$2.3975 for much of the afternoon. The pound was also firmer against European currencies, rising to DM 4.1775 from DM 4.1724 and FF 9.7425 against FF 9.7250.

On Bank of England figures, the pound's trade weighted index settled at a new five year high of 74.7 compared with 74.3 on Friday. It was higher at the noon calculation at 74.8, up from 74.6 in the morning.

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lows but was well down from closing rates on Friday. Against the D-mark it fell to DM 1.7815 from DM 1.7785 and SWF 1.6575 compared with SWF 1.6500. The Japanese yen was firm, slipping to Y212.35 previously. There did not appear to be any significant intervention by the Bank of Japan, with dealers suggesting that the dollar's rise was probably a technical reaction to its recent fall. Commercial demand for the U.S. unit was quite heavy with selling pressure failing to materialise later in the day.

D-MARK — Showing renewed strength against the dollar and steady within the European Monetary System, following

## EMS EUROPEAN CURRENCY UNIT RATES

ECU central rates	Currency amounts against ECU May 27	% change from central rate	% change adjusted for divergence	Divergence limt %
Belgian-Franco ...	39.7897	40.4027	+1.54	+1.53
Danish Krone ...	7.72336	7.64751	+1.61	+1.64
German Mark ...	2.32015	2.31515	+1.53	+1.125
French Franc ...	5.83600	5.75784	-0.86	-0.86
Dutch Guilder ...	2.74362	2.75729	+0.06	-0.16
Irish Punt .....	0.686201	0.678924	+1.31	+1.512
Italian Lira ...	115.79	116.68	+2.24	+1.73

Changes are for ECU, therefore positive change denotes a week currency. Adjustment calculated by Financial Times.

## THE POUND SPOT AND FORWARD

May 27	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S. ....	2.3565-2.3765	2.3700-2.3710	1.72-1.82c pm	9.45	4.20-4.10 pm	7.00
Canada ...	2.3565-2.3575	2.3585-2.3590	1.50-1.60c pm	9.45	4.05-4.50 pm	6.88
Norh. ....	1.427-1.435	1.428-1.435	1.00-1.10c pm	5.44	3.00-3.50 pm	5.45
Denmark ...	13.02-13.12	13.02-13.03	2.25-3.00c pm	2.22	5.50-6.50 pm	1.62
Ireland ...	1.1190-1.1238	1.1215-1.1228	0.03p pm-par	1.18	0.22-0.17 pm	7.18
W. Ger. ....	4.16-4.21	4.17-4.18	3.25-3.50pm	8.62	8-7 pm	7.18
Portugal ...	16.50-16.70	16.50-16.70	1.85-2.00c pm	1.82	30pm-300ds	1.90
Spain ...	1.960-1.970	1.960-1.970	1.75-1.85c pm	4.36	1.50-1.75pm	1.90
Italy ...	1.960-1.970	1.960-1.970	1.75-1.85c pm	4.36	1.50-1.75pm	1.90
Norway ...	9.73-9.81	9.73-9.79	5.00-5.50c pm	4.42	1.25-1.11 pm	4.11
Sweden ...	9.82-9.90	9.82-9.88	5.25-5.50c pm	4.62	1.00-1.01 pm	4.00
Japan ...	29.57-30.00	29.57-30.00	7.00-7.50c pm	5.32	5-5.5 pm	2.44
Switz. ....	3.865-3.875	3.865-3.885	4.35-4.50c pm	10.82	70% 1.50c pm	10.43

Belgian rate is for convertible francs. Financial franc 67.50-67.60.

Six-month forward dollar 7.45-7.50c pm. 12-month 10.90-10.70c pm.

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Belgian rate is for convertible francs. Financial franc 67.50-67.60.

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Belgian rate is for convertible francs. Financial franc 67.50-67.60.

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Belgian rate is for



# FINANCIAL TIMES SURVEY

Wednesday May 28 1980

مكتبة الأصل

# Calculators

After a surge of development in the calculator market in the 1970s, sales have now levelled off and prices of calculators—especially the more sophisticated ranges—are still falling. In the next decade, this highly-competitive industry can look forward to a steady replacement market, with little of the turmoil of former years.

## Market reaches age of maturity

By Elaine Williams

THE PASSING of the 1970s has left a trail of destruction as far as the calculator industry is concerned. It was a time when many companies entered the rapidly growing market in the hope that there was a quick fortune to be made. Today, many manufacturers are sadder, but wiser, and have survived to relate how they were nearly destroyed by the fierce competition. Some, like their calculators, are no more.

Now the market for calculators, especially the pocket models, is fairly static with growth in a few selected areas—such as office equipment and professional scientific sectors—which are not subject to the vagaries of the consumer.

But in the early 1970s, it was

many individually transistors crammed into a single piece of silicon a few millimetres square, the cost of assembly and the size of the actual calculator was reduced.

This type of calculator replaced the chunky mechanical adding machines and the early forms of electronic calculators made out of discrete transistors which had to be assembled expensively by hand.

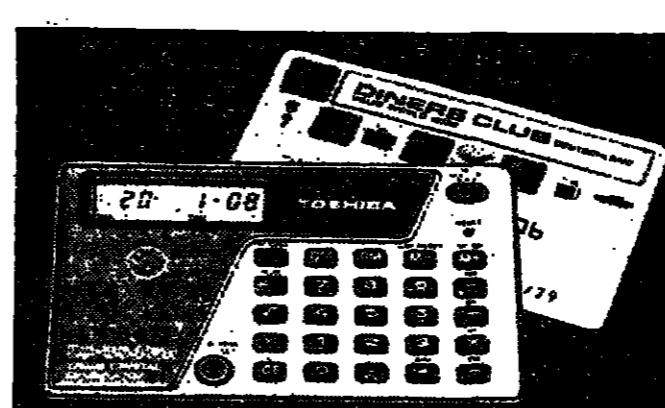
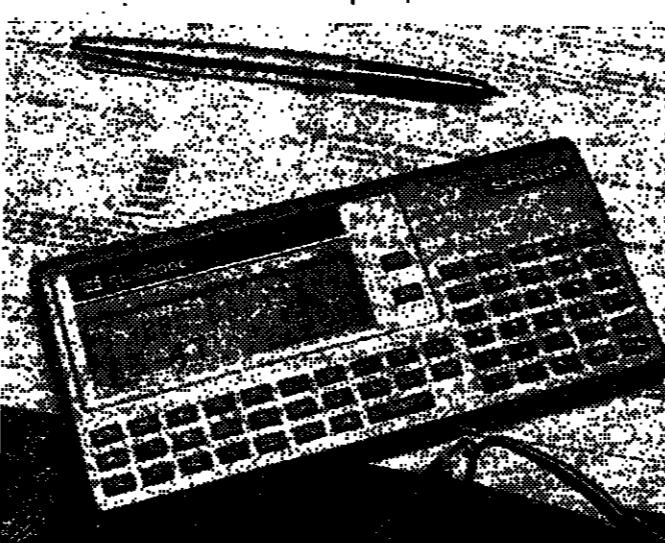
Commodore, a company of Canadian origins but now based in the U.S., was the first to sell a calculator with an integrated circuit and this company still is one of the prominent companies in the market which is now dominated by Japanese organisations.

At the time, semiconductor companies which make the silicon chips such as Texas Instruments, National Semiconductor and AMI decided that instead of just supplying the chips, they would also like to sell the end product.

They were attracted because it was obvious that calculator manufacturers were earning more money than the silicon chip makers whose circuits were the hearts of the calculators. While it was the chip which made the whole system possible, the process of assembling it into a complete circuit with a keyboard, battery and display was quite expensive.

Selling prices were high. In 1971, for example, models cost about £150 each and the world market for electronic calculators was estimated to be small, at around 2.5m units. Japan dominated the industry with about 80 per cent of the total manufactured in that country.

By 1972, calculators in Britain cost a mere £50 or so. The UK market for calculators was slow



Versatile calculators for businessmen: (left) the Sharp 10-digit calculator (EL-6200E) with a four-key memory, a clock, perpetual calendar and a memo pad, plus an alarm. Right: Toshiba's new credit card-sized calculator with four-key memory, watch, calendar, alarm and stop-watch functions (model LC-854WA).

to take off because Britain did not adopt decimal currency until 1971 and few people thought it worthwhile to buy calculators which could not handle the idiosyncratic currency then in use.

Machines were fairly basic with the four arithmetic functions of addition, subtraction, multiplication and division. However, these were useful for most people's purposes and were much faster than the old mechanical machines.

### Mark of status

Developments in calculator design by such companies as Hewlett-Packard quickly produced new models capable of working out square roots, logarithms and trigonometric functions. Others followed with similar designs. New designs appeared with memories capable

of storing numbers between calculations. The physical size of models was reduced, along with the price.

For a short time, the calculator cases were a mark of status. But this was short-lived. Prices fell rapidly and, within a few years, calculators were a common item in handbags and briefcases.

In 1973, for example, world production stood at about 25m, with Japanese makers accounting for about 40 per cent of the total.

Three years earlier, Japan made 1.5m units valued together at \$480m, but in 1973 its production of 10m was less than \$400m. This was the main reason behind the failure of many calculator companies.

They were faced with the cost of production reducing as volume of production increased.

because both specialised to some degree. Texas Instruments, which is among the leaders today, has, for example, concentrated in recent years in developing calculators which are more complex than the simple four-function types.

They are made in smaller quantities and sold at higher prices to selected markets.

Hewlett-Packard adopted this strategy to an even higher degree and makes calculators which are sometimes indistinguishable from small computers.

In 1975, demand for calculators reached its peak with about 50m units produced worldwide—a figure around which production has hovered ever since.

Companies have still had to continue to develop their products—because it is the best way of stimulating sales. The

## CONTENTS

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companies which now produce an extremely wide range of office calculators to cater for this comprehensive and complex market.

The pattern of distribution has also begun to swing back in favour of the professional dealer, following the collapse of the volume calculator market in 1978. Dealers now concentrate on the more expensive desk-top models. The lower price pocket and hand-held models are still distributed through the major high street multiples.

Despite the turmoil of the 1970s, the prices of calculators, especially the more sophisticated ranges, are still falling, though at a much slower rate than before. It appears that the calculator has almost reached the stage where it is considered "a disposable item."

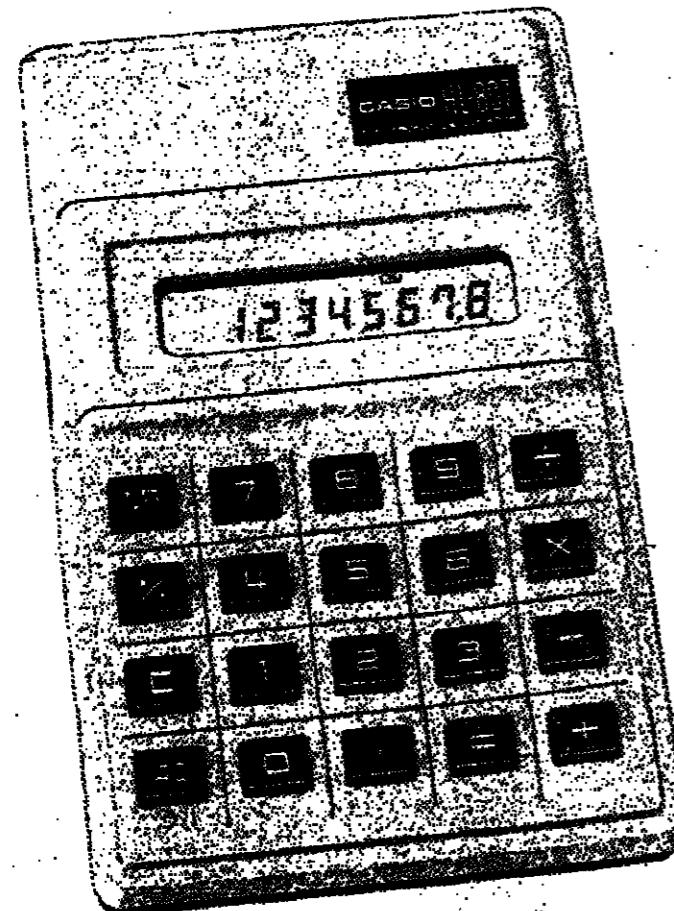
The 1980s are not likely to prove the most dynamic for the calculator industry now that sales have levelled off. The calculator industry has reached the stage of maturity and, during the 1980s, can look forward to a steady replacement market with little of the turmoil of former years.

# WHAT WILL THEY THINK OF NEXT?

Amazingly, Casio are only twenty-four years old. In that time, throughout the world, they have come to dominate the calculator market; and they have done so through three things. They are always innovative, always reliable, and always remarkable value for money. Here are just a few steps along the way. Examples which show how, and why, Casio leads the field.

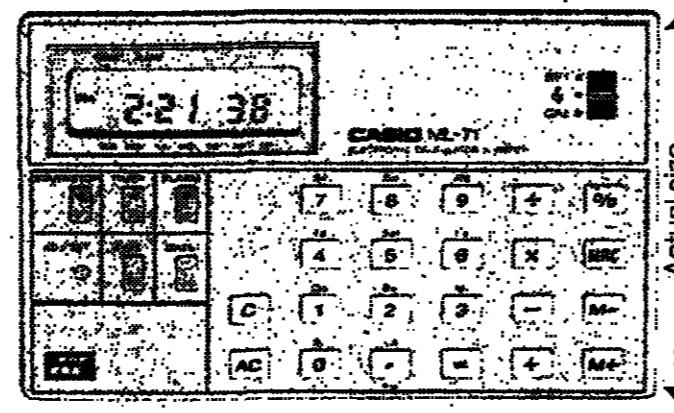
### So much for so little

Eight years ago, no-one would have believed so many functions could be contained in so small a calculator. And certainly no-one would ever have believed it could all be done for the cost of just a few pounds. Now even a schoolboy can afford one of these by saving just a little pocket-money. Casio have revolutionised his life—and many other people's too—from shop-keepers to scientists.



### Credit card calculators that play your tune

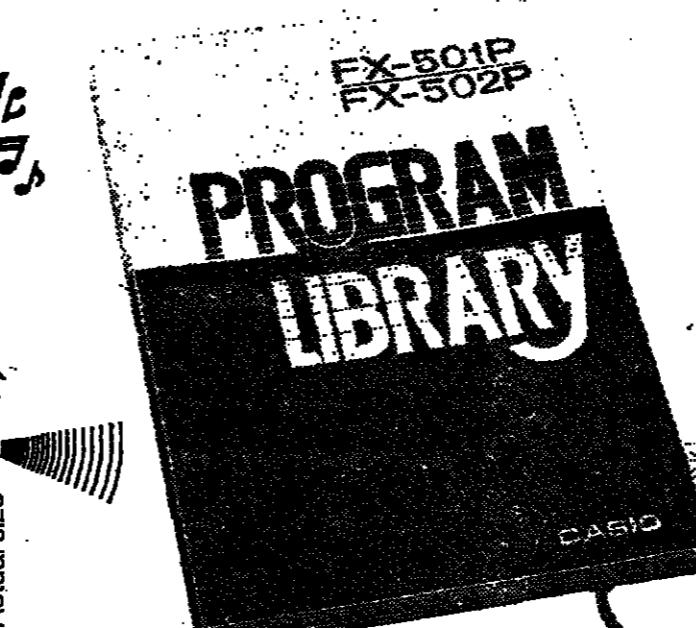
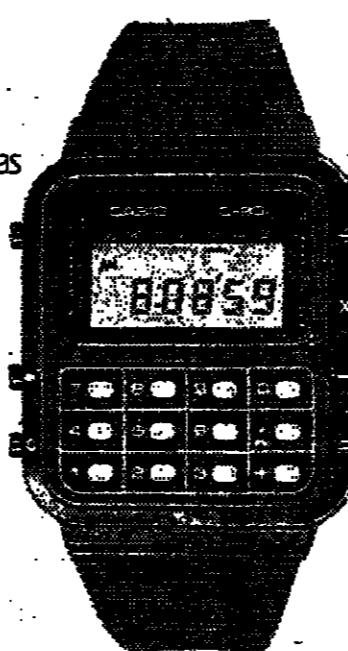
One of the most popular developments that Casio has achieved is to add music to mathematics. And, astonishingly, even some of our classic credit-card size calculators play your tune as well. It's hard to believe that such a slim piece of engineering can



do so much. For in addition to a multitude of numerical calculations, preset tunes play as an alarm function—or, alternatively, each key will produce a different tone. So the (usually) busy executive can have a little light relief during the day—the most acceptable example of an executive toy that genuinely works for its living. These calculators are no thicker than an after-dinner mint. And don't cost a mint either.

### The time machine

It was bound to come, and it was bound to come from Casio. The calculator on the wrist that's also a timepiece, a stopwatch, and a calendar. Casio's remarkable Finger Touch System electronically selects the intended key, over-riding any overlap the finger makes. This revolutionary digital calculator watch puts more information and more resource on your wrist than could be imagined even a few months ago. And once again, at a price (well below £30) that's astonishing in itself.

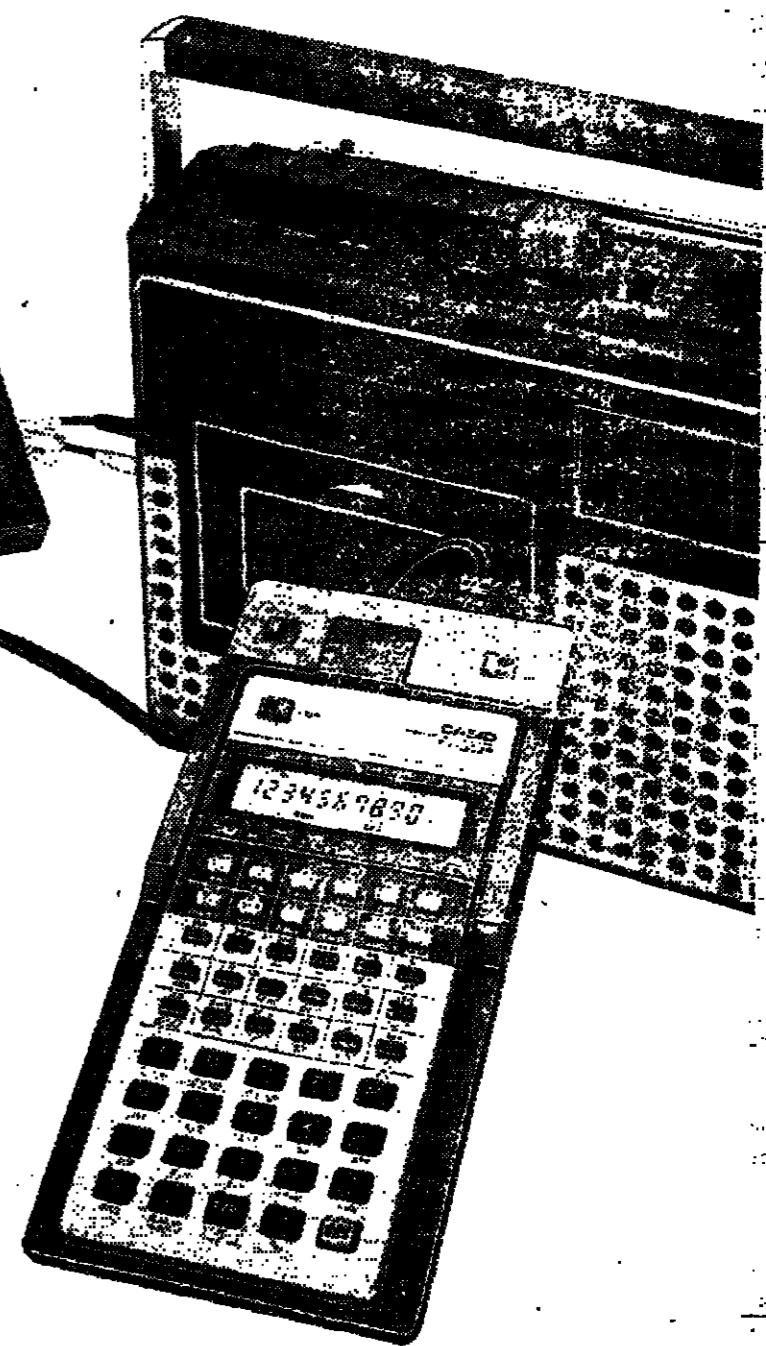


### Scientific lead

However much Casio cater for the popular market, they concentrate just as hard on the scientific area. Perhaps the most significant calculator in this field from Casio uses an ordinary cassette recorder to store information. With 48 essential scientific functions, and complete with 256 steps, 22 memories, 10 levels of parenthesis and numerous other complex functions, the programmable FX-502P with easy programme storage/retrieval function is, as ever with Casio, a step ahead of the field.

### Coming shortly

Whatever it is, it's only a month or so away. Casio's huge research and development unit is permanently at work seeing into—and producing—the future. At every step, the world has been astonished at what Casio have come up with. Whatever they're thinking of next, it will conform to the Casio aim: to produce goods which are innovative, reliable, value for money.

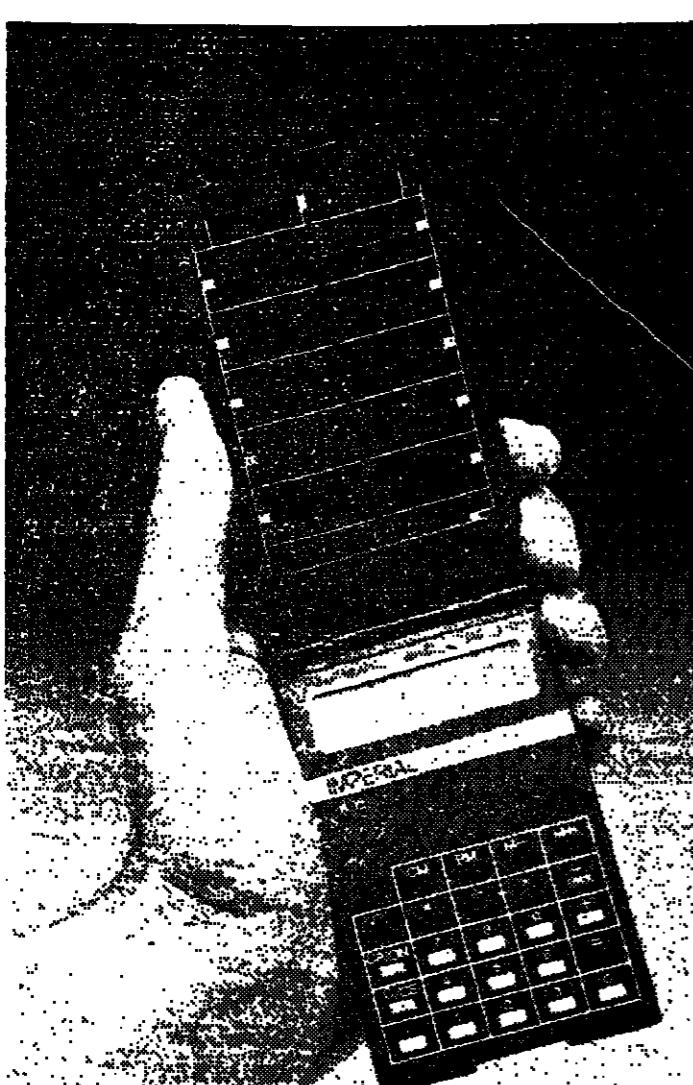


# CASIO

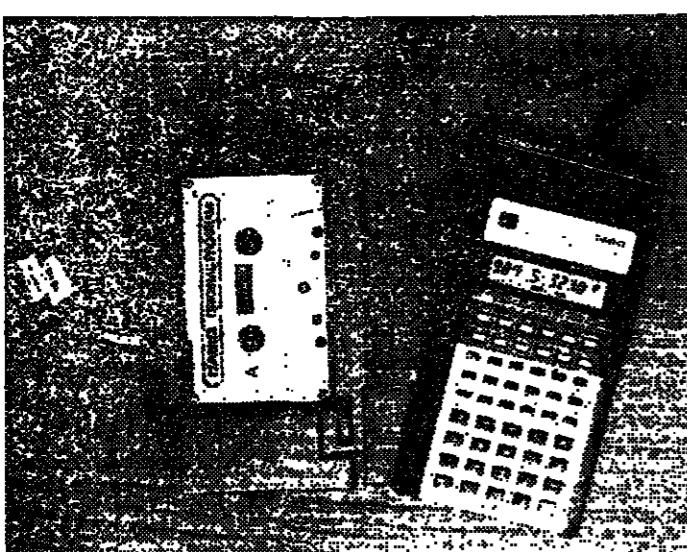
The world's  
best-selling  
calculators.

## CALCULATORS II

# Prices fall but quality generally improved



The Imperial Solar-Mini calculator



Programs from Casio LCD programmables can be stored on an ordinary cassette tape recorder, via an FA-1 adaptor

FROM THE consumers' point of view, the calculator market during the 1970s was a prime example of how a developing technology can have significant effects on both the price and marketing of a product. At the beginning of the decade, a simple four-function desk calculator would cost £50 or more and was very much aimed at the more successful businessman, rather than the average consumer.

Yet, as calculator technology and production methods have developed over the decade, so the calculator can no longer be regarded solely as an item of office equipment. With the advent of the pocket-sized models and the sharp fall in unit price, the calculator is now very much a mass market product. The simple four-function calculators can now be bought from many high street shops for £5 or even less—which brings it well within the range of being a pocket money toy for children to replace their mental dexterity.

The sharp fall in prices in the middle of the decade is clearly shown by market research carried out into average prices paid by consumers between 1976 and 1977. In 1976, only a quarter of the sample surveyed had paid less than £10 for their calculator—yet a year later the proportion of those paying under £10 had doubled to 51 per cent of the sample.

**Profit margins**

Not surprisingly, the sharp fall in price led to a rapid increase in calculator ownership in the late 70s, with some trade estimates suggesting that ownership doubled from around 17 per cent in 1977 to nearly a third, by the end of the decade.

Yet, much of this growth was at the very cheap end of the market where manufacturers and retailers' profit margins were reduced to the barest minimum and high volume sales were needed just to break even. The inevitable result of such low-margin business was rationalisation, and mergers within the industry.

Over the latter part of the

decade, however, there were four significant developments in the marketing appeal of calculators to consumers. In the first place, most calculators became much thinner than they were previously and many were smaller in overall size, as well. Calculators about the size of a credit card—micromini calculators—have become a

secondly, the power consumption of calculators fell considerably as a result of the development of liquid crystal displays to replace light emitting diodes to show up the figures on the display panel. This has allowed the use of button-type batteries which can fit into a calculator only a few millimetres thick and which have a power consumption so low that batteries need only be replaced once a year or so.

Thus, although calculators with LED displays (usually red figures, which can be seen in the dark) may be available in the shops at prices cheaper than for LCD display models, they are unlikely to be a bargain since the batteries work out more expensive to run in the long-term.

The third major development was the introduction of calculators with built-in clocks, timers, and alarms. The clock function enables very accurate timekeeping based on a quartz movement as well as a calendar showing both date and day. These calculators also have a stopwatch ability for timing in tenths of a second up to 10 hours, as well as the ability to use as a stopwatch for lap times.

More sophisticated versions of these calculators also give time displays for different geographical zones and calendars pre-programmed to show days of the week from the year 1901 to 2098.

The basic alarms could be set for any time, while the more sophisticated versions enable alarms to be set at two different times. However, as the Consumers' Association pointed out in a recent edition of its "Which?" magazine, "alarms are not much use if you do not

hear them." It advises consumers to insist on hearing an alarm before buying a calculator, since the loudness varies between models and samples.

"Unless you are a very light sleeper, don't rely on any of them to wake you in the morning," it adds.

The magazine adds: "Look at the facilities and, particularly, the special features. There is little point in having features that you will not use—and they may make the calculator more complicated to operate."

The report points out that while a permanent memory may be useful, a built-in watch may not be worth the extra cost if the consumer already has a good watch.

It also suggests that "if you want an alarm, get one that is adequately loud" and points out that the larger calculators with time features "are more expensive and are easier to use than the minicards."

Finally, it suggests that consumers "think at least twice before buying a memo-note calculator since a diary or address book is much easier to use, and cheaper."

These four main developments in the late 1970s has made the consumer market quite complex and, in some cases, this has worked against increasing sales. Consumers, faced with a seemingly overwhelming array of calculator functions, are more likely to stay with the simpler models, which are easy to understand, than buy a more expensive and complex calculator. For the manufacturer this poses problems, since the more complex calculators are those which earn higher profit margins.

The most obvious consumer advice is to shop around, since the prices of calculators can still vary substantially from shop to shop. But the Consumers' Association also suggests that prospective purchasers spend some time in surveying the market before buying.

"Try out a calculator before buying to see if you like the feel of the keys and the layout of the keyboard," advises "Which?" Your choice will be different if you can't carry a calculator

with you all the time, or use it mainly at a desk," says the magazine.

"Which?" advises consumers to "take the calculator out of its case and check that it doesn't rock when laid flat on a hard, smooth surface."

The magazine adds: "Look at the facilities and, particularly, the special features. There is little point in having features that you will not use—and they may make the calculator more complicated to operate."

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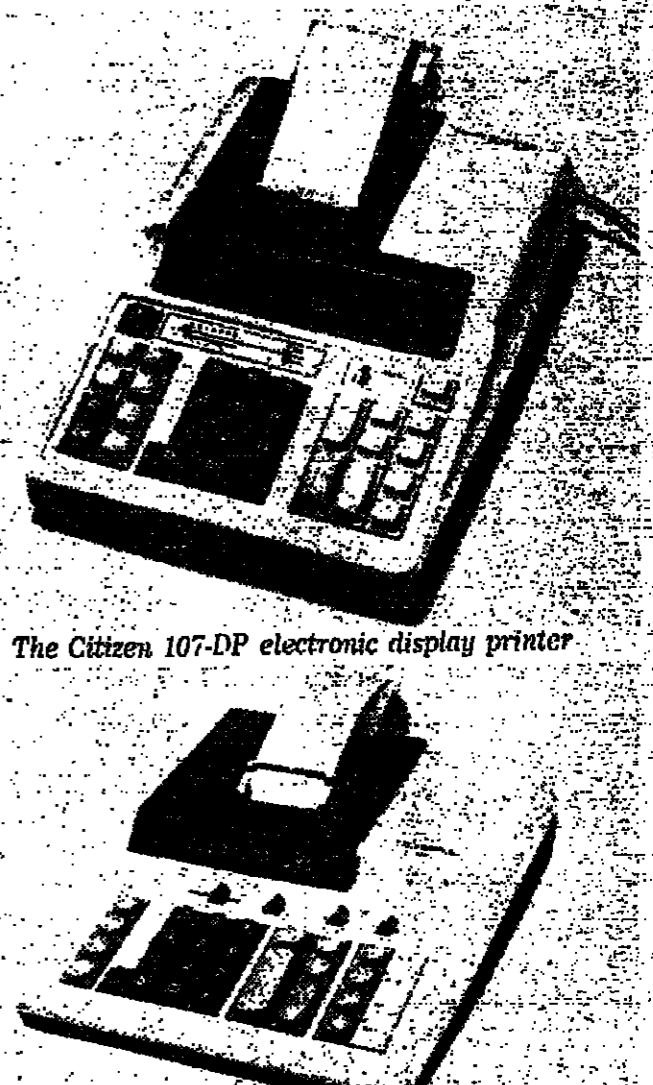
Finally, it suggests that consumers "think at least twice before buying a memo-note calculator since a diary or address book is much easier to use, and cheaper."

With prices already at an all-time low, it is unlikely that there will be any further major reductions in the price of calculators. Manufacturers' operating margins have already been reduced to a minimum and there is little scope for further price cuts.

However, the low margins and prices has not meant any fall in quality. In fact, standards tend to have risen since few manufacturers could afford to handle a high percentage of reject machines and still continue to operate profitably. The typical return rate for a large manufacturer is only about three calculators for every 1,000 sold.

Research in the U.S. has shown that the consumer expectancy of a calculator's life is between four and five years, thus limiting the effect of the replacement cycle in future calculator sales. But with more developments in calculator styles and functions, the life cycle for calculators may be considerably shortened.

David Churchill



The Citizen 107-DP electronic display printer



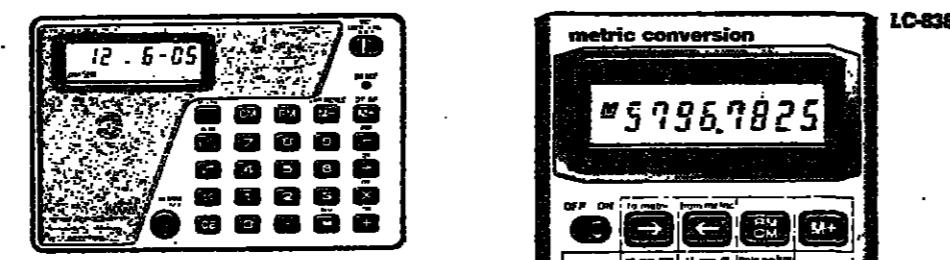
Olympia's CPD-5212 office print and display calculator



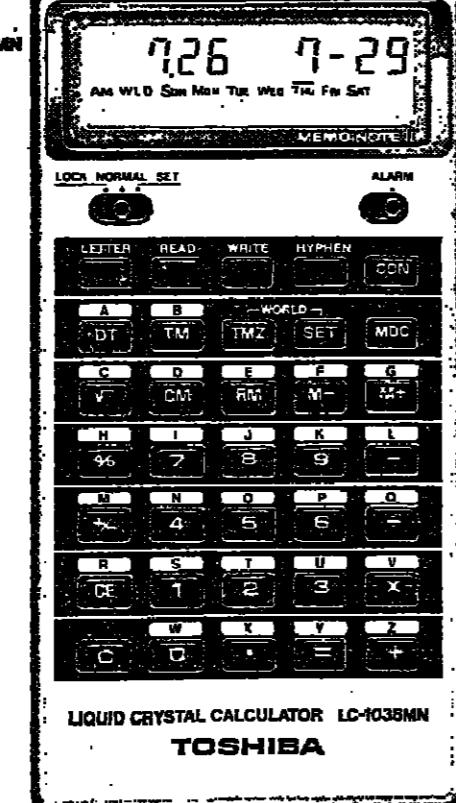
This new and compact desk-top calculator from Silver- Reed (SR-LC121M) has a large liquid crystal display

# The models for the 80s have arrived!

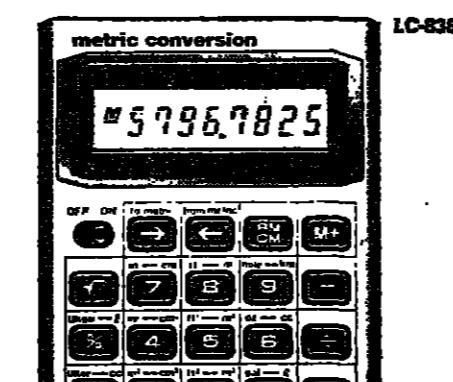
**Take a look into the future with the new Toshiba pocket calculators: more functions, more flexibility, more performance, more applications.**



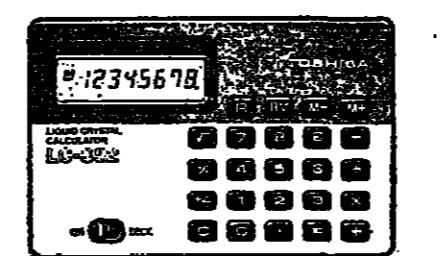
LC-1038 MN



SLC-8260 Scientific calculator with 30 functions (statistical, logs, trigonometric, geometric and engineering). LC-835 Automatic conversion of 14 metric units and weights to non-metric units and back. LC-852 Credit-card size calculator with the chic look.



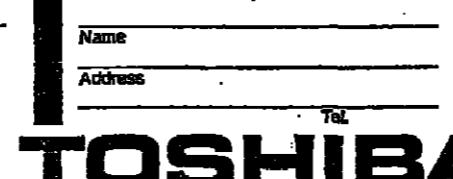
LC-852



LC-852



LC-854 WA



LC-854 WA

TOSHIBA

## Fierce competition in the 'professional' market

THE MARKET for "professional" calculators for the technologist and businessman is stagnant—stifled by the advent of the cheap and powerful microcomputer.

But hand-held machines offer enough advantages, and their makers have built in enough advantages, and — — — novelties, to ensure their existence for some time yet.

Those advantages include size and portability for those who have to make calculations in the field, and convenience—not everybody can or wants to learn even the simplest programming language, and for them there is no substitute for the answer at the press of a button.

While a host of manufacturers offer calculators to the technologist, with such functions as standard deviations and logarithms (and, for the businessman, simple interest and sales margins), the more powerful end of the market is shared by only three companies: the U.S. companies Hewlett-Packard and Texas Instruments and their Japanese rival, Casio. Prices vary between £25 and £600 with most of this class of machine fitting between £50 and £150.

According to Mr. Irfan Salim of Texas, the value of the market for professional calculators in the UK is about £50m.

They are bought by statisticians, scientists, engineers, surveyors, accountants and business planners. Those professionals who have to do sums as opposed to the kind of data shuffling more easily handled by a computer.

The least facility that any true professional calculator should offer, according to Mr. Peter New of Taylor-Wilson Systems, is an eight digit display (or mantissa), together with a two-digit exponential (an extra display at one side essential for working with powers of numbers). It should have all the arithmetical functions, constants, at least one memory and the ability to perform a number of preset functions. A scientific machine should handle logarithms,  $\sqrt{x}$ ,  $e^x$  to the power of  $x$ , sines, cosines, rectangular/polar shifts and other esoteric manipulations. As Mr. John Ashley, of Texas, says of the TI-51/3 is an unconventional machine—it offers 32-step programming through the keyboard, unlike the conventional Hewlett-Packard HP-31E (price £29.95) or the Casio FX-5100 (£27.95), all of which offer all the functions needed by the student or professional for straightforward calculations. The Casio offers the bonus of time-keeping with built-in stopwatch, two independent countdown timers and date (programmed to the end of the century).

One choice is critical before buying any calculator, programable or not: whether to calculate in Advanced Algebraic Logic (AAL) as featured on Texas and Casio machines, or in Computer Logic (CL)—which is still known elsewhere as

addition to basic statistical Reverse Polish Notation—as offered by Hewlett-Packard. Both make it easier to handle equations.

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If you choose a programmable calculator you have the choice of writing programs to solve your specific problems or using solutions prewritten by the manufacturer.

The Texas TI-51 for students offers 50 program steps for £29.95. While the top-of-the-range TI-59 offers 960 steps for £229.95. The 59 and its cheaper cousins the 58 and 58C will take program modules for

particular applications such as navigation, engineering or statistics, turning a basic scientific machine into a general purpose calculator. Adding a printer for £191.50 makes possible a hard copy of the transaction.

The Casio 128 step FX-501P and 256 step FX-502P at £64.95 and £69.95 respectively, have the novel feature of allowing the user to record both data and programs on an ordinary tape cassette. The adaptors cost £24.95.

Hewlett-Packard, with a large range of specialised programmables, has long been market leader, but its HP-41C is quite special.

It is generally reckoned to be the most advanced pocket calculator yet developed, virtually equal to the power of a small computer.

**Many facilities**

For a total price around £500, the system includes the calculator itself (£159.50), extra memory modules to increase the storage capacity by four, a plug-in magnetic card reader (£135.90) to record or load specific programs, a miniature printer and printer (£239.00) and with remarkable foresight—an optical bar code reader. Programs can be published in the form of a simple bar code and entered into the machine by simply passing the optical reader over the printed page. The machine operates alphabetically as well as numerically and will quickly flash messages such as "Data Error" on its display in response to clumsy handling.

There is a price for all this cleverness, of course, with 37 keys, each with three or more functions (you can even program the keyboard to your own specification), it is in no way "user friendly." I hated it; my colleague, a brilliant computer programmer, who carries his National Insurance number in his head, thought it marvellous.

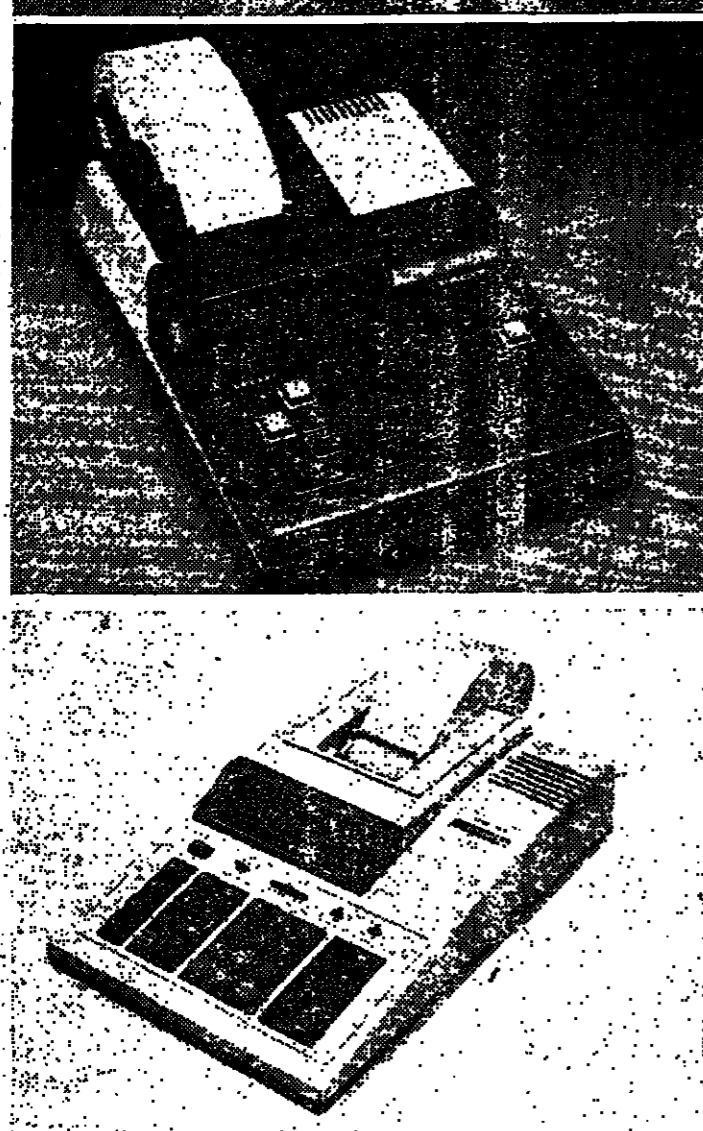
The HP-41C may be the dinosaur of the calculator world, beautifully designed, set for a long life, yet ultimately doomed to be killed off by sharp little user-friendly computers.

Control Data Corporation, which makes the biggest commercial computers, is working on a cheap "applications" computer to solve engineering problems. It is due to be launched within two years.

Dr. Alan Cane  
The writer is editor of Computing newspaper.



## CALCULATORS IV



More than £5,000 a year is being saved by elimination of errors in tabulating orders by using a Monroe 2880 microprocessor-based programmable calculator (above) at a Manchester food and meat-product company. The Monroe 2880 is said to have resulted in "enormous time-savings" in tabulating nightly orders for thousands of products

\*

Centre: The Facit 2252 10-digit, print-and-display calculator which sells for £102. It is one of a range of seven desk-top models which vary in capacity from 10-digit, print-only machines to 14-digit, print-and-display with two independently addressable memories. Facit is one of the longest-established calculator and adding machine manufacturers and is now part of the Swedish Electrolux group

\*

Below: One of Toshiba's growing range of desktop calculators — the BC-1275-PV — with high-speed printer

# New enticements to overcome a static market

WITH A static market for calculators, manufacturers have to try and entice consumers to buy. Each year they are offering new types of calculators which are little more expensive than those offered the year before but which incorporate features such as a clock or alarm—which customers may think they need.

One of the basic developments which have taken place over the past few years has been the extension of battery life. This has been partly achieved by the new types of battery used, but mainly due to the type of display now built into the calculator.

Nearly all pocket-type calculators now incorporate the liquid crystal display—usually called LCDs—but not so long ago, most manufacturers had opted for the light-emitting diode, usually abbreviated to LED. This is a small semiconductor device, made of chemicals such as gallium arsenide or gallium phosphide which have the unusual property of glowing when connected to a voltage. LEDs, which are made of a combination of the two chemicals, will glow a deep red. Other colours, such as yellow and green, can be made by using different materials.

The LED was first made experimentally in Britain in 1960 but was developed commercially by U.S. electronics companies. Because LEDs can be made very small, they became popular for pocket calculators. Current consumption of LEDs was reasonably low, although they tend not to glow very brightly, in direct sunlight, the display is "washed out" completely.

In the late 1970s, LCDs became a popular alternative to the LED. Liquid crystals are a range of complex organic materials whose molecules re-arrange themselves when a voltage is applied.

According to the orientation of the molecules, light either passes through them without change and the material is transparent—or it is absorbed or reflected and the material appears dark. The liquid is sandwiched between two pieces of glass, into which cells are

etched. Each cell, containing the liquid crystal, is connected to electronic control circuitry so that the chemical can be made opaque or transparent, at will. Cells can be etched to form the shape for a calculator display or any other shape, simple or complex. An advantage of LCDs is that they are operated at very low voltages, typically around 2V—which is ideal for small battery powered equipment. Also they consume almost no energy at all, so battery life can be several thousand hours compared with hundreds if LEDs are used.

Mains-powered calculators, which find applications mainly in the office, may use more "energy hungry" forms of display, although such machines are also moving towards the use of liquid crystals.

## Solar power

For hand-held machines, prolonging battery life is important, especially as some types of battery, such as those using silver oxide, are becoming expensive which is a deterrent to buying a calculator. So, manufacturers are now introducing solar powered calculators.

Since LCDs consume little energy (as does the electronics circuit to carry out the calculations) solar power may provide an excellent alternative to conventional batteries. Most are being designed to provide power at relatively low light-levels, which means that even in the unpredictable British climate such calculators can be used and under normal office light conditions.

In the domestic market, manufacturers have tended to try and make calculators water-tight, so that they easily fit into a jacket pocket or even a wallet, without producing any discernible bulge in a suit, so appealing to the vanity of mankind.

But in order to broaden the market for general purpose calculators, the addition of

initially, solar-powered four-function calculators will cost around £20, although some manufacturers say that, by Christmas, the cost will be reduced to around £12.

In addition to solar-powered calculators to prolong the life of a machine, companies have also been working on the use of lithium batteries. Instead of a 1,000 hours of use with a silver oxide battery using LCD display, the lithium battery can last up to 8,000 hours—which means about 10 years of use, without a battery change.

Olympia last month introduced three pocket calculators which used lithium batteries—the LCD 30, 380 and 480—the latter of which is a small-format calculator. Olympia's models have no means of changing the batteries, since the company believes that the user will have tired of the calculator long before the battery runs out.

The calculator market is divided into various categories: first, there are the cheaper and simple pocket-sized items for the domestic market. Then, there are the programmable calculators for scientific and professional applications. And thirdly, there are the printer-and desk-top models for the office.

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clocks and alarms has been common. Furthermore, models which are not strictly calculators but which fit into the category—such as language translators and educational machines—have also generated new markets.

## Language module

Examples of such machines include hand-held (if not exactly pocket-sized) units which can translate simple phrases and words into various languages depending on the special plugged-in "language module."

These machines cost more than £100 and are aimed at the businessman who needs to travel widely abroad, but who has never been able to master a foreign language.

As the development of micro-electronics continues, it will be possible to store more comprehensive lists of useful phrases. The early models were only able to translate a very limited list of about 100 words and few phrases. But in the relatively short time they have been around, improvements have been made, although it will still be several years before we can abandon the need to learn languages altogether and rely totally on such machines.

Indeed, if that is ever likely to be a desirable thing to do.

In the educational field we have seen the development of talking calculators which help children to spell and some models counting and simple arithmetic. Again the range of calculators in the educational field is continually improving,

allowing greater variety in the way in which children can learn.

Companies such as Hewlett-Packard and Texas Instruments also concentrate on the professional scientific areas, with programmable calculators, which are often little discernible from small computers. This market—unlike the consumer market—is more stable and there is more opportunity for growth. Users can buy individual programs which can be plugged in to carry out specific tasks; alternatively, they can write their own programs.

It is now becoming common for even small machines to have a printer mechanism attached and consumers see this as important in the office environment where evidence of a calculation is often required.

Manufacturers believe that this sector still has some growth potential. It is possible for offices to have more than one of these reasonably cheap machines, instead of only one shared between several staff. At one time it was common, and in some cases still is, for an office to buy one large desk-sized machine and staff had to share out its use, equally. Smaller and cheaper models have allowed the opportunity to buy more machines, at the same price.

The days of rapid innovation in the calculator industry appear to be over. Instead it is likely that companies will concentrate on a gradual improvement in products, especially in the commercial market to encourage customer loyalty.

Elaine Williams

# Remorseless pressure for increased innovation

THE RAPID growth of the calculator market in Britain over the past decade has undoubtedly been helped by the ease with which calculators have switched from being an essential office tool to almost an "impulse buy" from the local supermarket.

When electronic calculators first came on to the market they were unambiguously aimed at the office user and sold through traditional office equipment dealers.

Brand names of even the largest manufacturers of calculators were not widely known and the major companies had to spend heavily to make the business public aware of their products.

But, as prices have fallen steadily during the decade—as a result of new technology and production methods—so the possibilities of consumer marketing became more apparent. The office equipment market was made to look more of a sideline once the mass appeal to consumers got underway.

Consumers in the early days of the boom appeared not to be so discerning as office managers about quality or the manufacturers' reputation, but were more interested in buying the newest model at the lowest prices.

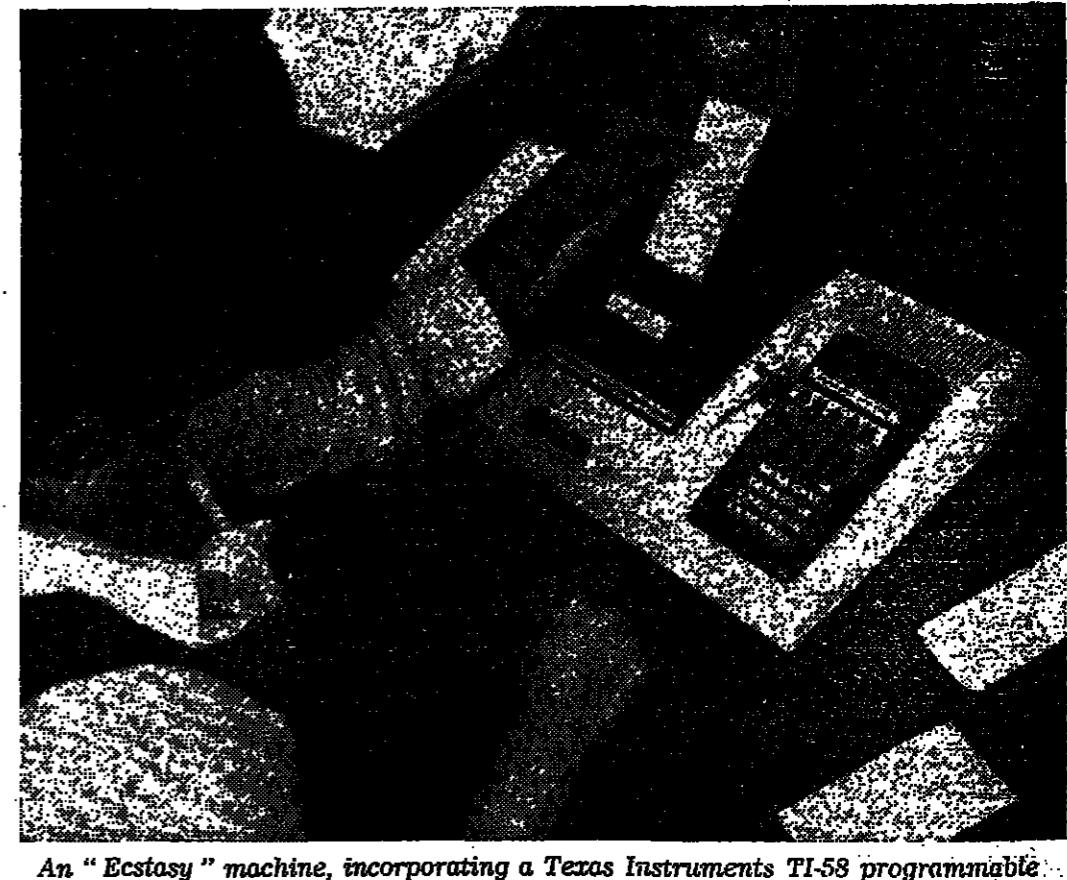
As prices fell, so the impact on distribution patterns became even more significant. The retail emphasis switched to the fast-growing electrical chains, such as Dixons and Currys. The High Street multiple giants, such as W. H. Smith, F. W. Woolworth and Boots, quickly followed suit and brought the price and availability of calculators well within the reach of the average consumer.

The importance of this move into the High Street was even more significant for the retail industry, since it opened up the marketing area a whole new category of buyers—women.

Women were not traditionally buyers or users of calculators, since these were seen very much as the prerogative of the male executive. Yet women are important buyers of watches, pens, cigarette lighters, and other products as gifts. About half the purchases of calculators bought by women are for somebody else, according to market research, while only a quarter of purchases by men are intended as gifts.

Not surprisingly, the availability of cheap calculators in many High Street stores has attracted women buyers. Market research shows that while more men than women buy calculators, the growth rate for women—albeit from a smaller base—is the faster.

However, the popular theory that women are buying more calculators to enable them to grapple with the complexities of unit pricing in supermarkets is not considered within the retail trade as a significant factor. Even so, Tesco once took a consignment of 20,000 Commodore Business Machine calculators and sold out within a week.



An "Ecstasy" machine, incorporating a Texas Instruments TI-58 programmable calculator with a custom ROM program module, designed specially for use by betting shop setters

for calculators has come partially from retailers, as well. Big store chains have formed close relationships with the producers and have often insisted on proper quality control because their own retailing reputations are at stake.

But because rejects are normally replaced immediately by the retailer, who, in turn, receives a replacement from the manufacturer, it is the producer who bears the biggest sacrifice for low standards.

Another factor that retailers have had to take into account is the seasonality of calculator sales. The ratio of winter to summer sales is estimated to be about two-to-one in favour of winter. The main sales peak comes in the run-up to Christmas, and also at the start of the new school year.

About two out of every five calculator sales take place during the September to December period, while remaining winter months—January to March—are secondary in importance.

The main question for retailers, however, is what will happen to prices and demand during the 1980s. It does not seem likely that prices can fall much further at the bottom end of the market since the most basic calculators now sell for £5 or less. New savings from technology and production methods at this end of the market are likely to be insufficient to compensate for the increase in inflation in other costs areas.

But while price alone will not substantially increase the market, there are other factors that could be exploited by retailers to increase sales.

The age entry into the calculator market, for example, has become progressively lower, moving down from university students to sixth formers, then to O-level pupils and, now surprising as it may seem, towards the primary school level.

Calculators have also made a significant impact into the electronic toys and games market, a fact that a number of retailers exploited just before last Christmas. Electronic Mastermind, for example, is a prime example of the use of calculator technology as an interesting game. In the same way, games such as the "Little Professor" help young children to develop their mental arithmetic skills by use of a calculator.

## Development

One novel development introduced just before Christmas was the "Brainbank" which incorporates calculator technology to act as a learning aid, phrase book and translator for foreign languages, a library of general knowledge, and a personal filing cabinet all rolled into one.

During the 1980s, retailers will be keen to promote sales of the more technological and higher-priced calculators (or spin-offs), which will earn higher profit margins. But at the same time, retailers will continue to promote the simple and cheap calculator as a means of ensuring that consumers are educated to use calculators instinctively.

David Churchill

# Sharp Calculators fit your desk & your pocket

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Sharp introduced the world's first electronic solid state desk top calculator. We've continued to lead the way since then and offer a world-beating range of superbly reliable calculators for every purpose.

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## COMMODITIES AND AGRICULTURE

## Indian tea exports rise sharply

By K. K. Sharma

**NEW DELHI** — Indian exports of tea rose to 210.57m kilograms worth Rs 3.69bn (about £200m) in 1979-80 compared with 177.33m kilos worth Rs 3.58bn in the previous year, according to the Tea Board.

Tea exports were higher by 18.7 per cent in volume and 2.9 per cent in terms of value during 1979-80. But the unit value per kilo fell to Rs 17.54 against Rs 20.25 in 1978-79.

The rise in tea exports during 1979-80 is attributed to larger uptake by traditional buyers and increased sales to new markets. The abolition of export duty from mid-February, 1979 also helped.

However, tea exports failed to reach the target set of 220m kilos because of a prolonged strike at the Calcutta port.

In addition export earnings from packet tea, tea bags and instant tea fell to Rs 498m during the period April 1979 to February, 1980, against Rs 622m in the corresponding period of the previous year.

## Production of olive oil falls

**MADRID** — A sharp decrease in 1979-80 production has led to an improvement in the glut situation on the olive oil market, a spokesman for the International Olive Oil Council said here.

He said the 42nd meeting of the council, which ended here last week, had recommended that consumption should increase, mainly in the producing countries, to further improve the market balance.

The council estimated this year's production at 1,272,000 tonnes compared with 1,470,400 tonnes in 1978-79. Consumption for 1979-80 was estimated at 1,455,300 tonnes, slightly up on last year's figure of 1,440,300 tonnes. Current stocks stood at 225,500 tonnes.

Reuter \*

**GRIMSBY FISH** — Supply good, demand fair. Prices at spot side (unprocessed), per kg: small £2.40-£2.50; medium £2.40-£3.30; cod (large) £4.40; medium £2.70-£4.50; small £2.50-£3.50. Plaice (medium) £4.60-£5.30; best small £3.80-£4.80. Skinned codfish (large) £3.80; medium £3.00-£4.00. Haddock (large) £4.00; medium £2.00. Sardines (large) £2.40-£2.70.

The officials met at the Guyana-based Caricom secretariat this past weekend and issued a statement underlining the region's concern—which has been surfacing in various forms in recent months.

The Caricom commodities working party on sugar recommended that the Ministerial Council "give urgent consideration to effecting strenuous efforts to ensure that the market outlets in the EEC for ACP sugar are retained for the full quantity covered by the sugar protocol."

The experts suggested that such action could be taken with

## Metals held back by sterling rise

BY JOHN EDWARDS, COMMODITIES EDITOR

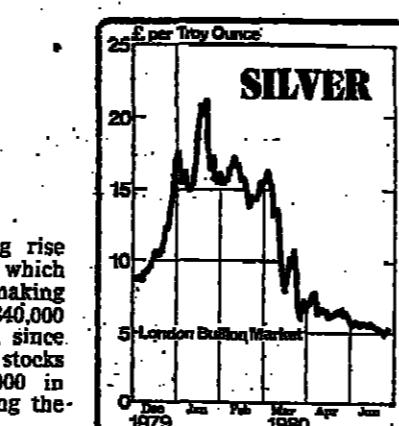
**THE RISE** in the value of sterling against the dollar kept London metal prices under pressure when the markets reopened yesterday after the Bank Holiday. Most base metals ended the day lower, but copper managed to retain the gains made late on Friday in New York as a result of the fall in interest rates. Silver, too, was higher, even in sterling terms, despite another big rise in stocks held in LME warehouses.

Copper cash warehouse closed £13 up at \$501.5 a tonne reflecting the firm underpin in the market. In the U.S. several producers announced a rise in their domestic selling prices of 4 cents to 96 cents a lb.

Encouraging the firm tone in London was a decline in LME copper stocks. They fell by 2,450 tonnes reducing total holdings in the warehouses to 115,850 tonnes and virtually wiping out all the stocks in creases since late March.

Other base metal stocks movements were as expected. Tin stocks fell by 140 to 1,875 tonnes, lead by 1,700 to 18,375 and nickel by 238 to 7,896 tonnes. Aluminium stocks rose by 50 to 27,050 tonnes and zinc by 1,500 to 58,925 tonnes.

**Paul Volcker**, U.S. Federal Reserve Board chairman, in a report to the Senate banking committee said the Hunt family associates still owe about \$900m



as a result of debts incurred by the Hunt in silver prices.

A \$1.1bn line of credit is still being negotiated with a group of U.S. and foreign banks, but the role of the Federal Reserve Board was limited to ensure that the loan would not be used in any way for more speculation. Market traders were particularly apprehensive last week when silver prices dipped below £5 an ounce. It was feared this might trigger off further forced selling, but this has not happened.

**Ottawa** — The foreign investment review agency will seek to review the transfer of Beaufort Sea exploration permits to another U.S. Congress sub-committee investigating the silver market gyrations.

**In mid-April** Hunt International transferred a 20 per cent interest in its Beaufort sea oil and gas exploration leases to Engelhard for about \$300m. In

## Fishermen plan import protest

Financial Times Reporter

A MINI-Armada of fishing boats will sail up the Thames to the Houses of Parliament on Friday to press for urgent Government action to save Britain's inshore trawlers from bankruptcy.

At the same time fishermen will be staging protests at ports around the country as part of their continuing campaign of non-co-operation with the Government over cheap EEC fish imports, which they claim, is crippling their industry.

The fishermen say the imported fish are caught by subsidised fleets, often in defiance of Common Market fishing rules.

**Mr Nigel Atkins**, director-general of the National Federation of Fishermen's Organisations, said yesterday: "It will be a gentle, manly day of protest. Not illegal, but disruptive." He said a "deluge" of imports this year had forced down British quayside prices while operating costs continued to escalate.

Mr Atkins, whose federation represents mainly skipper-owners operating from Britain's East coast, said French fishermen received a "huge and quite illegal" fuel subsidy while Dutch fishermen also were given help towards fuel costs. In addition Norwegian fishermen were getting £12m a year in subsidies, he said.

The federation is also seeking restrictions on fish imports from Third World countries.

**Norway** exported £612m worth of fisheries products last year, £12m more than in 1978, according to the Association of Norwegian Fish Producers.

## Malaysian exporters look to the East

BY OUR OWN CORRESPONDENT

A MALAYSIAN commodity mission which recently made a five-week tour of China, South Korea and Japan, is confident the East Asian region will be an increasingly important market for Malaysia commodities in the 1980s.

This is cheerful news for Malaysian producers, who now fear the four-year commodity boom is over.

The fishermen say the imported fish are caught by subsidised fleets, often in defiance of Common Market fishing rules.

The Chinese have extensive areas under rubber in the south and their research is surprisingly advanced.

Yields are low, however, owing to extremes in wind, temperature and rainfall conditions. The Chinese are developing trees that can resist such physical extremities, but it is unlikely their production will keep pace with demand.

Last year, China consumed about 320,000 tonnes of natural rubber, of which 230,000 tonnes were imported. Half of this came from Malaysia, the rest from Sri Lanka, Thailand and Singapore.

South Korea has emerged as an important market for Malaysian commodities in recent years.

Between 1975 and 1979, its natural rubber imports rose from £64,000 to 133,000 tonnes. This is expected to increase to 215,000 tonnes by 1983.

The market is now big enough for Malaysia to have a rubber technical advisory office in Seoul instead of covering the area from Tokyo.

Korean intakes of palm oil

are also growing. Last year, it took 18,000 tonnes. This year, the figure is estimated to be 60,000 tonnes, rising to 120,000 tonnes by 1983.

Because of price and taste preferences, the Chinese do not use palm oil for cooking, but the Malaysian mission believes the southern Chinese could be persuaded to switch if they become more prosperous.

Although China possesses sizeable tin reserves, the Malaysians were reassured that it would not be a large-scale exporter.

China's tin output is between 15,000 and 17,000 tonnes last year, with 80 per cent consumed locally.

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## Milk Board to push overseas sales

BY RICHARD MOONEY

BRITAIN'S Milk Marketing Board is confident that it can maintain the upward trend in dairy products exports that it has achieved in recent years.

While total UK cheese exports fell by 5 per cent to 15,000 tonnes last year, the MMB

managed to boost its overseas sales by 32 per cent to 5,385 tonnes.

Mr M. J. Rooney, divisional director, cheese, said in London yesterday the Board is aiming for a further 25 per cent rise in the value of cheese exports in 1980/81. The figures exclude sales of production from the 16 factories the board took over said here.

The Soviet team is expected to offer to sell 30,000 tonnes for shipment mainly in the October-December period and will also discuss buying Japanese textile products in exchange, they added.

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## LONDON STOCK EXCHANGE

# Medium tap exhausted following another big overseas demand for Gilts but equity leaders continue lower

## Account Dealing Dates

Options  
First Declara- Last Account Dealings tions Dealings Day  
May 12 May 25 June 9  
June 2 June 12 June 13 June 23  
June 16 June 26 June 27 July 7  
" New time " dealings may take place from 8 am two business days earlier.

Renewed strong demand from foreign sources encouraged by yesterday's sharp rise in sterling gave another boost to British Funds and enabled the Government broker to sell his remaining supplies of the party-paid medium tap stock Exchequer 13 per cent 1982. Orders for the stocks were rationed to 50 per cent and, following exhaustion of the authorised supplies at 20%, the price rose to 20% before meeting with profit-taking which pared the gain to a net 1% at 20%.

Widespread gains ranging to 2% were recorded in other medium and long-dated Gilts and, despite faltering in the afternoon, the latter was fully firm with sentiment benefiting from the latest reduction in U.S. prime rates to 14 per cent.

Short-dated issues were more volatile and, after improving initially, moved erratically to close on a mixed note. The low coupon Exchequer 3 per cent 1984 came under pressure, possibly reflecting the need to raise funds for this week's new low-coupon Treasury 3 per cent 1985 issue.

In complete contrast, the continuing advance in sterling with its adverse implications for overseas earners coupled with the NIESR predictions on the

UK economy set the seal on another dull session in the industrial leaders. Last week's warnings from GKN and ICI about difficult times ahead also continued to weigh on market sentiment. ICI came under renewed selling pressure, while GEC and Racal led the downturn in the Electrical sector.

Influenced by the falls in the first-named stocks, the FT 30-share index declined steadily and closed only marginally above the day's lowest with a fall of 3.3 to 420. One of the few points of interest among secondary equities was provided by Anderson Strathclyde, up 3 to 78p, after 82p following yet another sortie into the market by Rowe & Pitman this time on behalf of Charter Consolidated. The latter offered 92p per share for around 10m Anderson Strathclyde shares in order to obtain a 28.4 per cent stake in the company and soon acquired the necessary amount.

**Discounts firm**

Southern Rhodesian bonds maintained a firm trend with the emphasis on the 2½ per cent 1965-70 issue which rose 5 points to 147.

Traded options began the short week by recording 377 trades; higher than Friday's total of 252, but well below last week's daily average of 430. Racal, 103 deals, was the only issue to attract a reasonable business.

Discount Houses started the week in the same firm manner as they finished last week's session. Sentiment was again buoyed by the impressive per-

formance of gilts and Gerrard and National advanced 5 to 48p to 255p. King and Shaxson touched 86p before closing a net 2 better on balance at 84p. Cater Ryder, however, closed unaltered at 345p, after 350p. Following Friday's details of the Charterhouse Group's agreed £43m share-exchange terms for tomorrow's annual results left

relatively steady, but certain secondary counters encountered scattered selling. Among Timbers, Phoenix shed 6 to 11½ and Montagu L. Meyer eased 3 to 89p, but Mallinson-Denny, after slipping to 65p, reverted to the pre-weekend level of 66p.

Light offerings ahead of tomorrow's annual results left

better at 72p, but Polly Peck, good of late on asset injection hopes, met with profit-taking and ended 3 cheaper at 54p. E. Paradise added 4 at 31p.

The effects of the strong pound and also concern about the future of the British microchip industry prompted weakness in selected Electricals. GEC fell to 347p before rallying slightly to end a net 7 lower at 350p and Racal came back to 226p prior to closing 8 easier on balance at 223p. Thorn EMI lost 3 to 267p, as did BICC, at 113p, while Plessey shed 2 to 145p. Renewed selling was noted of Electrocomponents, 15 lower at 50p.

Proceedings in the Engineering sector were enlivened considerably by the afternoon announcement that Rowe and Pitman had been instructed by Charter Consolidated to purchase through the market up to 10m shares in the recent favourite Anderson Strathclyde at a price of not more than 92p per share in order to increase its stake in the group to 28.4 per cent; the ensuing rush for shares in Anderson Strathclyde saw the price jump from an initial easier level of 74p to touch 92p before closing only a net 3 better on balance at 79p.

After a brief lull, Brierley improved 5 to 170p and Unstock Johnsons a couple of pence to 65p. Aberdeen Construction, 104p, and SGB, 140p, responded to favourable Press comment with gains of a penny and 2 respectively.

Foods contributed to the generally dull trend in equities. No significant news or technical information was issued by the food processors, with the recent half-year profits warnings from GKN and Beecham continuing to weigh on the market. Down 28 last week, GKN sustained a fresh reaction of 4 at 232p, while Beecham receded 3 more to 180p. Tubes Caledonia added 4 to 145p and Clyde improved 15 to 570p.

Among easier Textiles, Parkland slipped a couple of pence to 31p ahead of next Tuesday's annual results. Similar falls were reported in Tens-Consule, 56p, and Sidlaw, 110p. Sanderson Murray and Elder also lacked support and shed 4 to 29p, but comment after the first-half deficit left Homfray a penny better at 13p.

**Oils resist**

With a reduction in Minimum Lending Rate looking less likely in the short term, leading Properties were subjected to sporadic offerings which left Land Securities a couple of pence up at 388p and M&P down at 208p.

Selected secondary issues, however, attracted occasional speculative buy-in, with adding 5 to 265p and Lyon 3 to 204p.

Oils resisted the dull conditions prevailing among other equity sectors. Interest faded after a reasonable start, however, and closing levels were usually below the best. British Petroleum touched 346p for a net gain of 4, while Shell reverted from 330p to end unchanged at 378p. Outside the leaders, Carless Capital hardened a couple of pence to 132p, Caledonia added 3 to 145p and Clyde improved 15 to 570p.

Among easier Textiles, Parkland slipped a couple of pence to 31p ahead of next Tuesday's annual results. Similar falls were reported in Tens-Consule, 56p, and Sidlaw, 110p. Sanderson Murray and Elder also lacked support and shed 4 to 29p, but comment after the first-half deficit left Homfray a penny better at 13p.

**Golds sharply higher**

A number of South African Golds and the whole of the Australian mining market were notably strong in a generally firm mining market.

The Australian market was marked up sharply at the outset following the large scale buying demand in overnight domestic markets. Prices dipped briefly immediately following the start of trading, as profit-takers moved in, but then regained the upward path in the wake of strong London and overseas interest.

Gold producing stocks and exploration issues were particularly sought. Among the producers, Gold Fields of Kalgarno advanced 13 to 236p, after 204p.

Prominent, which announced a maiden dividend last Friday, 11 to 131p, BHP rose 10 to 112p, and Northern Kalgoorlie 4 to 64p, and Western Mining 8 to 225p.

The exploration issues were featured by Samrand Exploration, 16 higher at 90p, after 94p,

its associate Samson Exploration, 12 firmer at 56p, and Allstate Exploration, which put on 10 to 105p.

Elsewhere in Australasia Hamoa jumped 8 to a 1980 high of 60p and North West Mining 2 to a high of 51p following news

that an associate of both companies, Strata Oil, has discovered oil in the Perth Basin off the coast of Western Australia. Strata Oil rose 5 to 15p on the news.

South African Golds registered widespread gains in the after-hours trade following sizeable buying from the U.S. The market had opened on a firm note and gradually gathered momentum during the day. The Gold Mines

index rose 7.6 to 317.7, its best level since March 24.

Most of the American buying was directed towards West Driftonton, which advanced 514 to 536; the company's final dividend is due next month.

Western Holdings also came in for U.S. support and closed 51 higher at 227. Other firm spots were Western Deep, 140p at 151p, and Butlers, which rose a half-point to 117.

## HIGH AND LOWS

## S.E. ACTIVITY

	May 27	May 23	May 21	May 20	May 19	May 18
Government Secs.	68.38	68.08	67.54	67.48	67.51	67.50
Fixed Interest	68.38	68.19	68.08	68.04	68.08	68.08
Industrial	420.0	425.3	426.5	431.6	432.6	432.6
Gold Mines	317.7	310.1	308.3	310.6	308.6	317.3
Ord. Div. Yield	8.83	8.45	8.22	8.19	8.19	8.19
Earnings, Vid. % (full)	20.78	20.57	20.34	19.88	19.94	19.98
P/E Ratio (ind. v.)	5.85	5.90	5.97	6.05	6.06	6.05
Total bargains	18,075	17,451	17,440	17,207	17,523	17,523
Equity turnover £m	96.08	98.06	98.50	93.34	102.00	94.95
Equity bargains tota	18,207	18,618	18,671	18,857	18,171	18,850

10 am 422.6, 11 am 422.0, Noon 424.4, 1 pm 418.8.

2 pm 419.5, 3 pm 418.8.

Latest Index 11265 8025.

\*Hi +5.48.

Basis 100 Govt. Secs. 16/10/28. Fixed Int. 19/28. Industrial Ord. 1/7/35. Gold Mines 12/9/35. SE Activity July-Dec. 1982.

## NEW HIGHS AND LOWS FOR 1980

## BUILDINGS (1)

## PHARMACEUTICALS (1)

## CHEMICALS (1)

## COPPER (1)

## COTTON (1)

## CLOTHING (1)

## COMMODITIES (1)

## CONSTRUCTION (1)

## COTTON (1)





Financial Times Wednesday May 28 1980

## INDUSTRIALS—Continued

Res.	Sec.	No.	Yrs.	Ex.	Yrs.	PE	High	Low	Stock	No.	Yrs.	Ex.	Yrs.	PE	High	Low	Stock	No.	Yrs.	Ex.	Yrs.	PE	
22	Hirst Merton 20p	26	26	1.0	1.0	1.0	1.0	1.0	Phoenix	212nd	152	—	—	—	14.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
23	Holden (A.)	62	26	2.0	2.0	2.0	2.0	2.0	Hedderstone 10p	330	153	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
24	Hoffmeyer 20p	52	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	154	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
25	Holt Lloyds 10p	100	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	155	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
26	Hodson & Sons 10p	120	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	156	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
27	Howard Tanners 10p	125	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	157	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
28	Houston Accts 10p	57	26	2.0	2.0	2.0	2.0	2.0	Hedgerow 10p	330	158	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
29	Hewitt W. 20p	25	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	159	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
30	Hewitt W. 20p	26	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	160	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
31	Hewitt W. 20p	27	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	161	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
32	Hewitt W. 20p	28	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	162	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
33	Hewitt W. 20p	29	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	163	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
34	Hewitt W. 20p	30	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	164	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
35	Hewitt W. 20p	31	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	165	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
36	Hewitt W. 20p	32	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	166	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
37	Hewitt W. 20p	33	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	167	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
38	Hewitt W. 20p	34	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	168	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
39	Hewitt W. 20p	35	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	169	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
40	Hewitt W. 20p	36	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	170	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
41	Hewitt W. 20p	37	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	171	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
42	Hewitt W. 20p	38	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	172	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
43	Hewitt W. 20p	39	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	173	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
44	Hewitt W. 20p	40	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	174	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
45	Hewitt W. 20p	41	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	175	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
46	Hewitt W. 20p	42	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	176	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
47	Hewitt W. 20p	43	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	177	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
48	Hewitt W. 20p	44	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	178	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
49	Hewitt W. 20p	45	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	179	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
50	Hewitt W. 20p	46	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	180	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
51	Hewitt W. 20p	47	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	181	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
52	Hewitt W. 20p	48	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	182	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
53	Hewitt W. 20p	49	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	183	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
54	Hewitt W. 20p	50	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	184	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
55	Hewitt W. 20p	51	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	185	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
56	Hewitt W. 20p	52	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	186	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
57	Hewitt W. 20p	53	26	1.0	1.0	1.0	1.0	1.0	Hedgerow 10p	330	187	—	—	—	1.47	23	1.0	1.0	1.0	1.0	1.0	1.0	1.0
58	Hewitt W. 20p	54	26	1.0	1.0	1.0	1.0	1.0	Hedger														

# Schmidt to visit Moscow for talks with Brezhnev

BY JONATHAN CARR IN BONN

CHANCELLOR Helmut Schmidt of West Germany will visit Moscow on June 30 and July 1 for talks with President Leonid Brezhnev of the Soviet Union, according to Government officials in Bonn. Afghanistan and prospects for East-West arms control will be high on the agenda.

The visit, less than three weeks before the start of the Moscow Olympics which West Germany is boycotting, is being viewed as one of the most delicate initiatives in Herr Schmidt's period as Government leader.

The political Opposition has made clear that although it does not, in principle, oppose a Moscow trip by Herr Schmidt, it expects to see concrete results emerge.

A failure by the Chancellor to bring clear progress would make him more vulnerable to attacks from Herr Frank Josef

Strauss, his main challenger, only three months before a General Election.

The Bonn Government has failed to sound out its Western allies in advance of Herr Schmidt's trip. It says that no one has raised objections.

## Consultation

That is seen as a contrast to the relative lack of warning given by President Giscard d'Estaing of France before he visited Warsaw last week for talks with Mr. Brezhnev—a trip sharply criticised by the U.S. among others.

Herr Schmidt has long made clear that he would not visit Moscow before the Summit meeting of seven leading Western countries in Venice on June 23 and 24, which will give the chance for close consultation on the Soviet talks.

Government officials also emphasise that Herr Schmidt

## EEC budget dispute passed to Foreign Ministers' meeting

BY JOHN WYLES IN BRUSSELS

## Shop sales remain at high level

By David Marsh

THE VOLUME of spending in the shops remains fairly buoyant in spite of the general downturn in economic activity. This reflects continuing rises in consumers' real incomes, with increases in average earnings generally keeping pace with the surge in retail price inflation in the past few months.

Provisional figures published yesterday by the Department of Trade show the index of retail sales volume was unchanged last month at 103 (1976=100, seasonally adjusted).

The volume of sales in the three months from February to April was about 1 per cent higher than in the preceding three months. The improvement compared with the disappointingly low levels of the last few months of 1979 is partly a result of additional sales promotions by retailers to cut stock levels.

Retail spending in April was, however, almost 3 per cent below the level of 12 months previous. Activity in April last year was artificially inflated by the end of several strikes and bad weather which depressed trade in the first quarter.

Continued from Page 1

## Isle of Grain

Transport and General Workers Union

Picketing—on a smaller scale—will continue at the site. A special delegate meeting called for tomorrow by the GMWU will decide on whether or not to widen the dispute to include some or all of the 5,000 GMWU lagers up and down the country.

Mr. Baldwin said that, if the dispute widened, "We will train lagers for every large site. The people here can acquire good basic skills in seven days."

The procession of 20 coaches carrying the workers into the site was led by Mr. Baldwin and Mr. Eric Hammond, an executive council of the EETPU. Mr. Earl, the senior GMWU official on the picket, angrily remonstrated with them not to cross the picket line, but to no avail.

Continued from Page 1

## BPC blames industrial strife for expected heavy losses

BY JOHN MOORE

BPC, the printing and publishing group, warned shareholders yesterday that its results for the first six months of its present financial year will show a substantial loss. "No interim dividend will be paid."

Mr. Peter Robinson, BPC chairman, blamed industrial disputes.

He told yesterday's annual meeting that last year's results, for the 13 months ending December 1979, were hampered by the transport strike and the dispute at Times Newspapers. The latter resulted in suspension of the Sunday Times colour magazine, a leading cus-

tomer, from the beginning of the year until November. BPC's pre-tax profits for 1979 fell from £7.05m to £4.04m.

Since then BPC, formerly the British Printing Corporation, has been hit by the national pay dispute in the printing industry.

Mr. Robinson said: "This dispute has done grave harm to the UK printing industry at a time when it is suffering from a recession at home and serious loss of work to continental and other printers."

He said losses in BPC have "escalated very rapidly over the last three weeks as major

printing orders were withdrawn and placed abroad," mainly in Europe. An industrial dispute in an important publishing customer had also caused a loss of periodical printing.

These disputes and the associated loss of work have cost BPC £3m to date," Mr. Robinson said.

Although the group expects to operate profitably in the second half of the year, "this is unlikely to avoid a loss for the year as a whole."

On the stockmarket BPC shares fell 4p to 17p, a low point for the year.

## CBI sees bleak future as output falls

BY JOHN MOORE

between 1979 and 1980, with manufacturing falling by 4 per cent.

Unemployment will continue to rise until the end of next year, with the seasonally adjusted figure, excluding school leavers, reaching 1.8m by this December.

Reports from the CBI's regional offices underline the problems being faced by industry and point especially to increasing liquidity problems, slightly alleviated by companies reducing stocks and, occasionally, reducing capital expenditure.

The basic survey indicates falling orders and output, coupled with high stocks of finished goods. Large companies and those producing intermediate goods are the worst hit.

The Central Statistical Office figures published yesterday show that total output measured by Gross Domestic Product fell 0.7 per cent in the first quarter, compared with the last quarter of 1979.

This took the seasonally adjusted index of GDP to 109.0 (1973=100), around 0.5 per cent below the average 1979 level.

The fall compared with the final quarter of 1978 would have been almost 1 per cent but for the impact of North Sea oil and gas production.

Rising output in the energy sector accounted for almost all the 1.6 per cent rise in GDP last year.

The first-quarter drop was mainly due to declining industrial production, which makes up around 40 per cent of GDP. Industrial output fell by 2.2 per cent compared with the final 1979 quarter.

Allowing for the effect of the

steel and other disputes, government statisticians said last week that the underlying fall in non-energy industrial output in the first quarter was 0.5 to 1 per cent.

The declining trend of industrial output has been partly offset by the better showing of the services sector.

Officials say that activity in this sector appears to be holding up fairly well as a result of buoyant consumer spending, which rose 2 per cent in volume terms between the final quarter of last year and the first three months of 1980.

to recruit qualified engineers from Britain and the U.S. to work at the engineering office planned for Atlanta, Georgia.

The staff here will carry out engine development work associated with Rolls-Royce engines in service with U.S. airlines. The engineering office will also tender for U.S. Government research and development contracts.

But the failure of the com-

## U.S. group North Sea contract is blow to Clydebank

By Ray Perman  
Scottish Correspondent

—who will be accompanied by Herr Hans-Dietrich Genscher, the Foreign Minister—will be going to Moscow neither as middle-man between the superpowers nor with a mandate to act for the West as a whole.

### Surprise

In spite of consultations, Bonn is well aware that some of its allies will be watching anxiously for signs that West Germany may be tempted into a special accommodation with the Soviet Union at the expense of the West.

The readiness of Moscow to agree to a visit by Herr Schmidt even before the Olympics has already caused some surprise.

Before West German athletes took their boycott decision on May 15, Soviet diplomats gave warning that the step would have "political consequences"—taken to mean, among other things, that there would be no early Moscow meeting.

Rowe and Pitman have done

it again. After lunch yesterday, its leading firm of London stockbrokers bought 10m shares in Anderson Strathclyde on behalf of Charter Consolidated at 22p, giving it a holding of 28.4 per cent in the business.

The price before the deal was around 74p—and the shares were back down to 78p by the close.

This latest raid came only a matter of hours after the Council for the Securities Industry had expressed its concern about the growing frequency of such transactions. One reason for this is that all shareholders are not treated equally, since it is the large institutions which get the first bite.

It is understood that although McDermott was not the lowest bidder, the Ardross yard's good work record secured the order. It began work recently on a platform for Amoco and is building modules for Shell's Concorde field.

It is understood that although McDermott was not the lowest bidder, the Ardross yard's good work record secured the order. It began work recently on a platform for Amoco and is building modules for Shell's Concorde field.

There is also the question of whether it is appropriate for significant stakes in companies—such as Marathon—to change hands in this way without the company involved having any opportunity even to comment on the matter.

The Council for the Securities Industry is now clearly coming under pressure to crack such raids. One thing not to do would be to lower the level of purchases at which an outright bid becomes mandatory under the Take-over Code: the current figure is 30 per cent, and anything much below that would shift the balance too far against the large shareholder.

In the U.S., the Securities and Exchange Commission has put up proposals which would require anyone who solicited more than ten investors to sell over 5 per cent of a company's equity within a 45-day period to make a partial tender offer open to all shareholders. But this idea is having a decidedly rocky ride, and it would not go down too well in the UK either. In many of the smaller cases, the costs of making such a partial offer would be prohibitive. It could also drive buyers of the market place.

Instead it might be worth trying the idea of a buyer announcing publicly the intention of standing in the market in, say, three days' time to acquire a set number of shares at a particular price. He would also need to say whether an outright bid was in view. The buyer would remain open to offers all day, and scale down acceptances if necessary. The mechanics of such an arrangement would be tricky, but not impossible.

The field is estimated to have recoverable reserves of 300m barrels of oil and gas liquids and 150bn cubic feet of gas. It should reach peak production of around 100,000 barrels of oil a day in 1984 and maintain it for two years.

Oil from the field will probably be fed into BP's Forties pipeline to be landed at St Fergus, near Aberdeen, and the Brae's large gas reserves make it a candidate for inclusion in the proposed gas gathering pipeline system.

Total development costs of the field have been estimated at \$1.65bn, including nearly \$500m in platform equipment and \$170m in installation.

### Weather

UK TODAY

CLOUDY; showers; sunny intervals in SE and NW.

London, S England, Channel Isles, E Midlands, E Anglia.

Showers; bright intervals.

Max 16-17°C (61-68°F).

E, SW and Cent N England, W Midlands, S Wales.

Rain; rather cool. Max 14-15°C (57-59°F).

N Wales, NW England, Lakes.

Rain; brighter later. Max 13-14°C (55-57°F).

L of Man, SW Scotland, Glasgow, N Ireland.

Showers; sunny intervals.

Max 12-13°C (54-55°F).

NE England, Borders, Edinburgh, Dundee.

Rain. Max 10-11°C (50-52°F).

Aberdeen, Cent Highlands, Moray, NE Scotland, Orkney, Shetland.

Rain, perhaps drier later. Max 8-10°C (46-50°F).

Argyll, NW Scotland.

Showers; sunny intervals.

Max 9-10°C (48-50°F).

Outlook: Rain; sunny intervals, cool.

WORLDWIDE

Yesterdays' temperatures.

°C °F

Ajaccio F 18 64 Lisbon R 12 54

Algiers C 21 70 Locarno R 12 54

Amesdn. C 17 63 London C 17 63

Athens C 21 70 Luxembourg C 18 65

Baku C 23 73 Manila S 24 78

Barcelona R 14 57 Madrid C 19 65

Belfast F 14 57 Majorca F 20 68

Belgrad F 25 77 Malaga F 20 68

Berlin S 25 73 Malta C 22 73

Biarritz C 15 59 M'Chart. C 15 59

Blackf. C 12 51 Mexico C 25 77

Bordw. C 15 51 Milan C 13 55

Boulog. F 14 57 M'rentral C 17 63

Bristol C 16 58 Nairobi F 20 63

Brussels R 15 58 Paris C 21 70

Budget F 24 75 Naples C 24 75

B. Aires C 20 68 New York C 18 65

Buenos A. C 22 72 Novosibirsk C 22 72

C. I. A. C 22 72 Oporto C 17 63

Copenhagen C 21 70 Paris C 15 59

C. I. D. C 21 72 Prague C 15 59

C. I. E. C 21 72 Raykjavik S 26 63

C. I. F. C 22 72 Rhodes C 25 77

Edinbgh. C 17 63 Rio J. C 25 77

Faroe Is. C 15 59 Rome C 22 72

Floripa C 20 68 Saiburg C 22 72

G. H. C 21 72 Stockholm C 21 72

Funchal C 21 70 Tokyo C 21 70

Genova C 15 57 Tunis C 15 59

Gibraltar C 18 64 Sydney C 26 82

Glasgow C 14 57 Tahan C 17 63